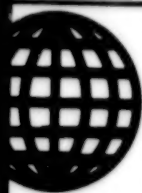


S-EER-90-054  
APRIL 1990



**FOREIGN  
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# ***JPRS Report***

## **East Europe**

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# East Europe

JPRS-EER-90-054

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24 APRIL 1990

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## INTRABLOC

### FRG's Streibl Asserts Role for Poland at 2 + 4 Talks

90EP0474A Duesseldorf *HANDELSBLATT* in German  
30 Mar 90 p 5

[Unattributed article: "Streibl Favors Poland's Participation in Negotiations"]

[Excerpt] Paris—Bavarian Prime Minister Max Streibl has stated that he favors Poland's participation in the negotiations on German reunification. As Streibl told German journalists in Paris, this does not mean, however, that the 2 + 4 negotiations should turn into 2 + 5.

Poland should only be included in questions affecting the country's interests. "These borders will remain," Streibl said regarding the discussions about Poland's western border.

The Bavarian prime minister met in Paris with President Francois Mitterrand, Prime Minister Michel Rocard, Foreign Minister Roland Dumas and former conservative Prime Minister Raymond Barre. In Streibl's opinion, Europe is well on its way toward a federalist structure. [passage omitted]

### Common History With Romanians Recalled

90CH0056A Bucharest *ROMANIAI MAGYAR SZO*  
in Hungarian 5 Apr 90 p 1

[Article by Edgar Balogh: "More Knowledge of History—Fewer Scandals"]

[Text] The lack of historical knowledge, and often the falsification of history, play a far greater role in the passing lives of the masses than many would think. A long time ago religious theses, beliefs, and prejudices evoked bloody conflicts between men, and those who think in terms of social processes are able to look behind such phenomena and explain the past tensions of the internal crises of Christianity, just as they are able to analyze the conflicts of various national endeavors and nation formations once they abated. The diligent researcher discovers peculiar things in the course of his observation. For example: What caused the conflict around the 15 March celebrations of Hungarians in Transylvania?

We select a few characteristic cases: Exactly what happened and why at the Szatmar statue of Nicolae Balcescu? Was it desecrated? Did they celebrate it? In general: What could people have known on either side about this personality of 1948, around whose figure a street fight can break out in our days?

Let us begin with the historical evaluation of the 1848 revolution, seeking a current justification for that endeavor. Remembering that the great bourgeois revolution of the past century resulted in a national awakening, like that of the manifestation of the international

human element, and it is no coincidence that following the defeat of Hitler's fascism this became the source of every democratic dream and plan that occurred in the course of the self-realization of the Romanian people, and of the Hungarian people who coexisted with the Romanians. Younger generations are no longer aware of this, but we, the old ones, should at least remind the young ones of the fact that beginning in 1945 the sacred heritage of Balcescu and Petofi was jointly celebrated. Were not the statues of the two symbolic heroes erected at the Balazsfalva [Romanian name unknown] Freedom Field alongside each other at a brotherly rally of 50,000 Romanian and Hungarian peasants? Were there no Romanian speakers and choirs at the 15 March Hungarian remembrances? Or, is it not true that in the presence of the two nation's leading personalities Gala Galaction reported in Romanian, and Sandor Kacso in Hungarian, the integration with a new Europe after the Metternich system failed? Did this praise of the Hungarian Ides of March not take place under the dome Ateneul Roman in Bucharest? And just think of the colorful Kalotaszeg-Szekely-Csango people's delegation received with the applause of 10,000 Romanians at Islaz Field, where in 1848 Eliade Radulescu won the vote for the 22 articles of a proposed constitution for the new, democratic revolution. The annually repeated memorial march to the Petofi obelisk in Feheregyhaza has also been forgotten, where Romanian, Hungarian, and Bulgarian writers celebrated world freedom, as proclaimed by the poet....

And as far as the present mention of the "desecration" of Balcescu's statue is concerned, is not the opposite the truth? The antidemocratic distortions of the Stalinist structure which weighed down the entire country and discontinued and prohibited all references to the 1948 ideals of freedom, equality, and brotherhood, and the incitement against each other of the people of Transylvania who have coexisted for centuries, the selling out of the Saxons, and the inhuman attempt to forcefully absorb the Hungarian nationality were among the horrors of the Ceausescu dictatorship.... To reach back after all this to European traditions may have become a natural reaction. It is no coincidence that today's Hungarians of Transylvania became excited by the mentality of the radical youth at the Pilvax [coffee house in Budapest, 1848]. Was it not this youth who stood up against autocracy, for the discontinuation of privileges, and for the emancipation of serfs? In the spirit of the Equality Club, they were the ones who freed Romanian populist leader Eftimiu Murgu of the Bansag, together with labor leader Mihaly Tancsics. The effects of their action were also felt in Transylvania. Let us not forget Laszlo Kovari's radical newspaper ELLENOR published in Kolozsvar [Cluj], about Laszlo Berzenczei's Romanian-Hungarian peace offer made in Agyagfalva, about Jozsef Bem's statement which proclaimed a brotherhood of the people of Transylvania, and the cannons of Aron Gabor who stood up against the onslaught of Czarist troops. We have something to make reference to throughout Romania, and it is precisely for this reason

that a free laying of a wreath and the bowing of heads honoring the Romanian revolution of 1948 would have been appropriate.

Most certainly, the Hungarian organizers were physically and spiritually aware of everything that is appropriate to know, and may be known about the youth of March all the way to their Romanian associates in the revolution. In this regard it is precisely the Hungarian intelligentsia that possess dual knowledge. Their knowledge of the Hungarian and the Romanian language, culture, and history assures a special opportunity against any kind of internally bred thought process, and it is this excess knowledge that brought trouble upon those who celebrated democracy.... Balcescu's selected works were perhaps still alive in local memory, perhaps they even leafed through the pages. This selection was prepared by us and published in 1956, and, most certainly, another collection of studies that appeared in 1974 with an introduction by Lajos Demeny was also read. In it we presented Balcescu's biography in more than 30 pages. In other words, those who celebrated in Szatmar could have known to this date that, together with Lajos Kossuth, it was Balcescu who signed the first Romanian-Hungarian democratic treaty, that this treaty was taken by Balcescu to Avram Iancu, and that Balcescu personally reported the theoretical results of his travels to the regent in Arad. Unfortunately, he was too late from a practical standpoint. Well then, this is what the Romanians who disrupted the 15 March celebration did not know, just as they could not have read—thanks to Ceausescu's chauvinist falsifiers of history—what Balcescu wrote about voivod Mihaly Vitez in a closing note to his book, according to which, "The issue that must be resolved in Transylvania has been, and continues to be today the fact that once universal civil rights were proclaimed, i.e. the equality of individuals and nationalities, the Romanians, Hungarians, Saxons, and Szekelys could search for a way of peaceful coexistence, and they could establish a state under a mutual alliance...."

The suspicion and antipathy with which Romanians received the wreath-bearing Hungarians in Szatmar may also be traced back to the lack of knowledge about common history. I believe that in order to prevent similar sad confrontations, an objective Romanian-Hungarian historians' committee should be established, so that we may step into the Europe House jointly. I was much younger in 1938 when Hitler marched into Vienna. I greeted Nicole Iorga's declaration, in which the Romanian historian warned about the threat of a German conquest, and urged that the people along the Danube cooperate for the sake of their own freedom. This is how I drew my conclusion on behalf of the realist faction of young Hungarian writers of Transylvania: "The time has come for us to supplement each other with the abundant resources of our increasing historical sciences, and to establish a school of East European historical research!" The proclamation was published in BRASSOI LAPOK, and received no response either from the Romanian or the Hungarian side. World War II came.

Could I say more today, half a century later? Advocates of new comparative Romanian-Hungarian historical

writing appear here and there, rejecting venomous nationalism, but they should be more courageous, and should make a greater initiative to prevent senseless scandals like the desecration not of Balcescu's statue in Szatmar, but of the common Romanian-Hungarian traditions. In order to find each other we must redeem ourselves in the original, common messages conveyed by the Ides of March and the Islaz Proclamation, and by Kossuth and Balcescu.

## HUNGARY

### Major Party Leaders Queried on Current Issues

90CH0013A Budapest NEPSZABADSAG in Hungarian  
19 Mar 90 p 8

[NEPSZABADSAG survey results: "My Party, My Party, Let Me Know!"]

[Text] Test results are frequently subject to some variance. This is obviously because tests do not simply ask a question, but try to look behind something through a system that is formed by questions and answers. This effect is augmented in the test prepared by our editors. We called it a "Yes-No" political test, because the questions are formulated in such a manner that they may be answered by either a "yes" or a "no," thus attempting to obtain clear-cut, terse, focused answers. We mailed our questionnaire to politicians of the 12 parties which have established a national slate of candidates. Unfortunately, despite our efforts, only nine completed forms were returned, along with one comment, which we publish here. We thank those who responded. The questionnaires were sent to the following persons: Viktor Orban of the Association of Young Democrats [FIDESZ], Jozsef Torgyan of the Independent Small-holders Party [FKgP], Sandor Keresztes of the Christian Democratic People's Party [KDNP], Denes Csegey of the Hungarian Democratic Forum [MDF], Csaba Varga of the Hungarian People's Party [MNP], Gyula Thurmer of the Hungarian Socialist Workers Party [MSZMP], Bela Katona of the Hungarian Socialist Party [MSZP], Peter Tolgyessy of the Alliance of Free Democrats [SZDSZ], Tibor Szabo of the Entrepreneurs' Party [VP], and Tamas Nagy of the Agrarian Alliance [ASZ].

For informational purposes we must state in advance that in several places the reader will not find answers to the questions. One may assume the reasons for this: The respondent may not have wanted to respond, or may have found it impossible to express his view with a "yes" or "no" answer. Further, some longer answers were given to the questions instead of a plain "yes" or "no," or the respondent may just have passed over the response, or perhaps found it to be mistaken, etc.

We regret that we were unable to persuade all 12 parties to respond, but we hope that the table below will be of interest to readers anyway.



### Agrarian Alliance

I will reiterate in writing my response that was given over the telephone: We do not intend to respond to the questions raised in the "Yes-No" political test that was sent to us (and to our knowledge to other parties and organizations running in the elections). In our view, if this test is indeed political, a yes or no answer may give occasion for countless misunderstandings and interpretations (while on the other hand a significant number of the questions cannot be regarded as being politically significant). To have a ready-made answer to every tiny detail of society and the economy is not the purpose of the Agrarian Alliance—although I personally doubt that any parties aspiring to govern have paid much attention thus far to the parade step.

Respectfully, Dr. Laszlo Filipasz, head of the elections office.

### Lengthier Notes

For certain questions raised in the test we received longer responses which deviate from the character of the test. We present these answers at this place, indicating to which question they refer, because a majority of them suggest the considerations that may have prompted the respondent to avoid answering with a "yes" or a "no."

"I do not understand the question." (Entrepreneurs' Party—2/C)

"No, only to the one who cultivates it." (Entrepreneurs' Party—3/C)

**"It should change." (Entrepreneurs' Party 7/C)**

"Communist." (Entrepreneurs' Party 13/A)

"Communist." (Entrepreneurs' Party 13/C)

"Communist." (Entrepreneurs' Party 13/D)

"This can wait." (MDF 14/C)

"The peasantry!" (Smallholders Party 19/D)

[illegible]

[illegible]

[illegible]

|  | FIDESZ | FKgP | KDNP | MDF | MNP | MSZMP | MSZP | SZDSZ | VP  |
|--|--------|------|------|-----|-----|-------|------|-------|-----|
| 21. Should the following be national holidays? |        |      |      |     |     |       |      |       |     |
| a. 15 March?                                   | Yes    | Yes  | Yes  | Yes | Yes | Yes   | Yes  | Yes   | Yes |
| b. 20 August?                                  | Yes    | Yes  | Yes  | Yes | Yes | No    | Yes  | Yes   | No  |
| c. 23 October?                                 | Yes    | Yes  | Yes  | Yes | Yes | No    | No   | Yes   | Yes |
| d. 21 December?                                | No     | No   | —    | Yes | Yes | Yes   | No   | Yes   | No  |

## POLAND

### Legislative Council Chairman on Council Activities, Membership

90EP0425A Warsaw RZECZPOSPOLITA in Polish  
13 Feb 90 p 4

[Interview with Zbigniew Radwanski, chairman, Legislative Council under the office of the president (premier) of the Council of Ministers, by Jan Ordynski: "Time To Push the Truth Forward"]

[Text] [RZECZPOSPOLITA] The Legislative Council hasn't been operating very long in its present format, but you can probably already tell us how it will be different from the previous one.

[Radwanski] In terms of structure and function, it's a continuation of the former council, except that it has a different, somewhat reduced composition. Its major tasks still consist of giving expert opinion on draft laws prepared by the government and assessing certain fields of law. It's a group composed chiefly of scholars, with a relatively small proportion of distinguished individuals who have practical knowledge. We're working as honorary members, divided up into groups to handle the various legal disciplines.

[RZECZPOSPOLITA] What's it like writing the opinions, given the present speed of legislative work?

[Radwanski] That's the basic problem. The rate is dizzying, to put it mildly, and there's actually not enough time for adequate study of the draft legal documents. After all, many of them the government doesn't send to us at all, for lack of time. Others have such immediate deadlines for making comments that it's only through extraordinary effort that we can review the drafts and prepare a response, but it's not possible to keep up such a tempo for any period of time. On the other hand, passing over the councils in preparing the law undoubtedly has a negative impact on the quality of law, and the quality of legislation surely doesn't benefit from it. I'd also like to point out here that in terms of the role lawyers play in the legislative process, despite most popular opinion, their advice is not limited to correcting the wording in some phrase or another and giving legislative shape to decisions, because I take their role in the process to be meritorious participation in shaping the whole legal system, not merely working as editors to contrive sentences written elsewhere. The law, after all, should go beyond being merely formally correct, expressed in clear precise language. Above all it should

contain cohesive norms based on the same axiological premises, consistently designed to achieve the intended purpose in the most economical way. From this very point of view, the role of lawyers is useful and desirable. They can advise on the way to draft a legal system properly. This is why this great haste pains us so much. It's bound to lead to a decline in the quality of legislation in Poland. I do understand that great speed is necessary, though, because the social situation calls for urgency. I'm disturbed nonetheless over the costs we're going to have to pay. There are also some signs that society is troubled in connection with the unstable nature of the law. After all, constancy is one of the values of the law. Of course, this mustn't be put too dogmatically.

[RZECZPOSPOLITA] Can you give us any concrete examples in this connection?

[Radwanski] Well, we could perhaps start with the Constitution, although I'll tell you that it's the Sejm that's working on it, not the government. The constant changes in its regulations adversely impact the sort of halo that should surround the basic law. Finally, changes made quickly have led to paradoxes like these: On the one hand, we are making a break with the socialist type of state. On the other, Article 90 retains the socialist labor discipline requirement. Another example: The basis of particular protection of public property has disappeared, but regulations concerning the courts continue to call for the protection of this property as one of the chief tasks of courts in Poland. These examples of glaring inconsistency were surely the product of haste, not legislative design. There are also grave doubts over the draft law on the antimonopoly office. Our council never received it for review. As a specialist in civil law, I don't think that it will help stabilize the market. On the contrary, it runs in the direction of managing the economy by directive.

[RZECZPOSPOLITA] The new Sejm has already produced dozens of laws, and there are executive regulations in connection with them. You are undoubtedly becoming familiar with them. What stands out as you read them?

[Radwanski] It's difficult at this point to assess the whole system of economic legislation, because it isn't complete. We want to do it when all the regulations go into effect. We'll analyze them in terms of following the principles I was talking about: cohesiveness, how well the system operates, economy in specifying the various operations and qualities.

[RZECZPOSPOLITA] But do you have any comments at this point?



[Radwanski] I wouldn't like to share them yet, because, let me emphasize, the reform isn't complete. There are a very great many important laws, such as those concerning privatization and changes in the organizational structure of state enterprises that haven't been implemented yet. Some are just being worked on. On the other hand, we have formulated opinions on new regulations concerning the court system, the prosecutor's office, and the whole self-government complex.

[RZECZPOSPOLITA] Please give us some details.

[Radwanski] For example, we have reservations about the electoral law. We don't like having an electoral system which is neither purely by ratio nor purely by majority. We considered what to propose instead. The predominant view was to have a majority rule system in small groups, where people know one another, but a ratio representation system for large groups. Of course, the question of administration is the most important for the government. Here we emphasize the need to create some sort of institution like the starosta, or administrator, placed under the voivodship president who is too far from the citizen to be the [official of] first resort. As for the laws on the courts and prosecution, we supported the concepts proposed, but we don't think there's a very clear description of the structure of the top prosecuting level. Except for the prosecutor general himself, it should be clearly constructed. There should be no doubt about rank in terms of hierarchy. We'll also be for having the prosecutors enjoy some independence, particularly in the penal process. We think that a new law on prosecution should be issued, rather than updating the old one, owing to the basic changes in this body's function and placement.

On the other hand, our group presented an interesting initiative calling for consideration of the need to pass a law annulling decisions and compensating people improperly arrested, sentenced, and imprisoned. The thing is not to handle these cases by exceptional reviews. We've got to decide the legal form for presenting them.

[RZECZPOSPOLITA] Great amendments updating the civil and penal codes are in the works.

[Radwanski] In terms of the civil code, the reform commission announced a minor updating project. We actually received the final version of it. We'll be preparing an analysis of it soon. I think that work on the rapid updating of civil law is about done. On the other hand, for the penal code, last spring we took up the assumptions for the updated version. We accepted it without going into a thorough analysis.

[RZECZPOSPOLITA] If you were to look at Polish law over all, what would you consider to be its main defects?

[Radwanski] At the moment we are just building a new legal system. It will be crowned by a new Constitution, which will create a very great deal of change in other regulations. In this connection, Prof Andrzej Gwizdz and I visited Prof Bronislaw Geremek, chairman of the

constitution commission, and offered the Legislative Council's help in preparing a draft of the Constitution. The offer was warmly welcomed. As I already mentioned, the Constitution will have great implications for many other norms. This is one reason we slowed down on the work on the bill to create laws, because we think the question of the purpose and scope of such a bill will come up once the Constitution has been ratified. Nonetheless, we are working on the concepts of preparing principles of legislation. We want them to be accepted universally, not just by the government. This would be a step towards improving the quality of law in Poland.

## YUGOSLAVIA

### Currency Convertibility in Cooperation With USSR

90EB0280A Belgrade EKONOMSKA POLITIKA  
in Serbo-Croatian 5 Feb 90 p 12

[Article by D. Zmijarevic: "Who Is Afraid of the Greenback"]

[Text] The news from Moscow that during the meeting of the intergovernmental committee for economic and scientific-technical cooperation the Soviet side proposed even officially that the transition be made to mutual convertible exchange as of 1 January of next year did not come as a surprise. The convertible option in economic cooperation between Yugoslavia and the USSR has been under consideration for some time, independently of the problems with which the bilateral method of trade has been burdened for several years back, more precisely, since the Yugoslav side showed a high surplus of bilateral payments. The transition to convertible trade, then, is only the logical result of internal changes in the countries of the bilateral-payments region themselves, for whom the USSR itself set the tone and directed the thrust, quite uncontestedly. The proposal made in the last meeting of CEMA in Sofia that its members themselves give up bilateral payments could not but affect Yugoslavia as well. After all, perpetuating the life of the bilateral-payments model of trade with a country which is not even a member of that grouping and which itself proclaimed the internal convertibility of its own currency with the intention of building complete convertibility, would not only have been incompatible with all the trends in the environment, but it also would have been economically untenable within the country. That is, that would have constituted official acknowledgment of the existence of two foreign trade systems, one liberalized and subject [original reads "proposed"] only to the restrictions of the market, and the other still under state control and not subject to the criterion of real money.

However, the operation of making the transition to convertible trade is still only an agreement in principle. That is, it has not yet been established whether all current payments in trade between the two countries will be made in convertible currency, which would have been an almost Copernican revolution, or, at least in the



initial period, it all would have come down to an annual settlement of the balance in hard currency. We have learned that the Soviet side was inclined to the first solution, which coincides with the reform efforts in that country to open up for enterprises engaged in foreign trade more room in which to make business maneuvers, but at the same time it was a fact that could not be overlooked that in this case all the strategic raw materials which the Soviet Union is delivering to Yugoslavia today (representing 85-90 percent of total deliveries) would be paid for in hard currency. Perhaps that is one of the reasons for the present Yugoslav reluctance to accept this initiative immediately even if we have to consent to the idea of abandoning bilateral payments itself. The second is that this puts the Yugoslav economy, whose largest foreign trading partner is the USSR, in a new state of stress, since it will stamp a question mark on many channels for deliveries that have been routine and up to now almost absolutely secure, and sources of income for many Yugoslav enterprises relying completely on that market, and in many cases with no real alternative.

For now, the holding back in taking a position on convertible trade is not only official, but it is difficult to obtain a definite reaction to this initiative even from the economy. In the first global assessments of how people will fare under the new circumstances, better chances are given to producers of consumer goods, since the Soviet market is "starved" for those products, while a more uncertain fate awaits exporters of equipment, which now constitutes the largest item in Yugoslav exports. Nevertheless, nothing is certain even in that assessment.

Everyone knows the story of "Kristal" of Zajecar, an enterprise which went to the verge of bankruptcy when exports to the USSR were stopped.

In any case, the mechanism for giving up bilateral payments and adopting convertible trade will be proposed in March by a working group which has been created solely for that purpose, but this does not preclude further negotiations and perhaps exploration for a transitional solution for a certain period of time.

The Yugoslav economy itself has also received a shock of a kind from the present change in the payment regime established by the new foreign exchange law, although it has been known for at least six months that something had to be changed in the old system of payment. Commodity exports to the USSR, that is, were under the same pressure of inertia last year as in earlier years, and the effort of the government to halt the building up of the surplus in trade seems not to have had any very serious effect. According to figures on visible trade for 1989, exports to the USSR amounted to \$2.677 billion and exports \$2.237 billion. The efforts of the federal government to reduce the pressure on these exports and stimulate imports from that market were mainly answered with the arguments that this is a large and promising market on which all the West European countries are fighting for position and abandoning it would be hasty and counterproductive. However, these arguments will take on their real dimension only with the "convertible opening up" of this market, which will really show what promise there is on it for Yugoslav exporters.

## POLAND

### Army's Future Role: Sparring Between Sejm Commission, Military

#### Szymanderski Questions Expenditures

90EP0411A Warsaw RZECZPOSPOLITA in Polish  
6 Feb 90 pp 1, 3

[Interview with Deputy Jacek Szymanderski, OKP, member of Sejm Commission on National Defense by Jan Forowicz: "The Army in a Different Way"]

[Text] What should our Army be like, what must the proportions of expenditures on the Army be—these were the main themes of the conversation between RZECZPOSPOLITA's journalist and Deputy Jacek Szymanderski, member of the Sejm Commission on National Defense.

[Szymanderski] In my opinion, the Polish Army has two main duties. First, it should enable foreign policy to be realized in a way that allows Poland to protect its interests. Here I will refer to the knowledge that comes from experiences of even such modest dimensions as the recent disputes over navigation rights in Pomorska Bay. The second very important task of the Army is to protect people and property from natural disasters and ecological catastrophes.

The question arises as to whether the Army has to number over 300,000 soldiers in order to execute the tasks resulting from this. Should not the Army be reduced by, for example, 100,000 people, and the money thus saved distributed in a different way? The MON [Ministry of National Defense] has proposed spending about 65 percent of the total budget on basic maintenance of personnel and just 35 percent on arms, training, development of technical thought, and operational costs of equipment and installations. I would add that in spite of the proportions of expenditures allotted in this way, the most valuable, but poorly paid cadres would continue to leave the Army, as the chiefs of the MON maintain. Should not the money saved, then, be allocated for higher salaries for the professional officers? Should not more be spent—in spite of the country's well known economic problems—on modern armaments?

[RZECZPOSPOLITA] What do you have against the philosophy expressed through the MON's budgetary distribution under discussion?

[Szymanderski] A reduction in the Army must entail a reduction of the bureaucratic apparatus, which is well established in the swollen institutions of the MON. The main controversy at the commission's 10 January session was about precisely this. Here is a small digression: In the lobby, someone told me in a joking tone that the proposed distribution of money is this way and not some other, because high officers need large armies, in Poland

just as everywhere else, in order to make their careers, and they guarantee the number of positions necessary for that.

I reproached the authors of the MON's budgetary distribution for not trying to spend money more efficiently in the country's unusually difficult economic situation and for not freeing themselves from the traditional thinking of the postwar years and the PRL [Polish People's Republic].

I gave the example of the Feliks Dzierzhynsky Military Political Academy. In connection with the abolition of the Main Political Directorate of the WP [Polish Army], the elimination of the WAP [Military Political Academy] must also take place. It is amusing that, according to the designers of the MON's budget, after the creation of the Social Sciences Department of the Academy of National Defense it would have to educate as many as 180 students annually, more than any other specialized department. This immediately creates the impression of an attempt to protect the threatened interests of a group of former political officers, who will no longer be needed in the Army of the Republic that we are currently building.

[RZECZPOSPOLITA] Before the discussion in question, you, as a deputy and in the name of the Sejm Commission on National Defense, visited military institutions...

[Szymanderski] And I was well received there. I thank those from the MON with whom I spoke very much for that.

[RZECZPOSPOLITA]...Did you not become convinced that these people with whom you spoke really wanted the same as the legislators?

[Szymanderski] I ascertained that the entire ministry should be profoundly reorganized. The attempts at change that have been undertaken there are—I believe—highly cosmetic. They serve to preserve the old order.

But Poles today can not afford for any of the people responsible for the Army to be able to give up thoroughgoing concern with the matters of defense and the military. We need to create a new defense conception of our own, and the shape of the Army needs to be adapted to that conception, so that all the money spent would prove to be of maximum effectiveness.

The Army is absolutely necessary to an independent Poland. The military, however, has above all to support our sovereign policy with respect to foreign countries. We do not want an Army susceptible to exploitation by a group of higher officers to decide on social matters within the country or to make—as someone mentioned—problematic careers for that matter. The citizen must be able to sleep peacefully, knowing that at every moment of the day someone is awake guaranteeing the inviolability of our country's territory as well as the

protection of human life and property against the effects of possible ecological catastrophe or natural disasters during peacetime.

### Professionalism, Initiative Called For

90EP0411B Warsaw ZOLNIERZ WOLNOSCI  
in Polish 13 Feb 90 pp 3-4

[Interview with Jacek Szymanderski, OKP, deputy chairman, Sejm Commission on National Defense by Major Stefan Wawrzyniak: "Army Issue Is Issue of Unusual Importance"]

[Text] [ZOLNIERZ WOLNOSCI] I have been striving to get this interview for several days.

[Szymanderski] But that does not at all mean that I have been avoiding it. On the contrary, I have been eager to do it for several reasons. What happens in and around the Army is a matter of great importance and it is not permissible to minimize it. First, the atmosphere in it—in our opinion—is not the best, especially among the professional cadre; second, without radical change, we plainly fear that it will worsen; and lastly, third, your newspaper has contributed in no small way to this.

[ZOLNIERZ WOLNOSCI] I am sorry to hear that. Your opinion does not set an optimistic tone.

[Szymanderski] I am also sorry, but I believe that the newspaper ZOLNIERZ WOLNOSCI continues to not fill the role that it should now fill; that is, it is not a place where the professional cadre can read various views, where it can formulate these views, where—in short—the articulations of its interests and convictions can take place.

[ZOLNIERZ WOLNOSCI] Do you ever read our paper?

[Szymanderski] Indeed, I do. I get it from you gentlemen quite regularly, for which I thank you. I do not dedicate too much time to reading it, but I read just enough to have an established opinion of the tone of this periodical. This is a periodical of a decidedly one-sided political character.

[ZOLNIERZ WOLNOSCI] Even if from just these few sentences, I will infer that the transformations taking place in the Army, the restructuring proposed and introduced by the leadership of the MON will not convince the Sejm commission.

[Szymanderski] No, decidedly not. I already gave expression to this in a statement in RZECZPOSPOLITA, but I will say it again, perhaps even more emphatically. It follows from observation—and I have met with hundreds of representatives of the professional cadre from a great many various units, so this is not just some sample, but a representative group—so from these observations it follows that the restructuring as a matter of fact hits the lower cadre, the skilled cadre, but it protects what should be restructured, namely, the bureaucratic apparatuses and the old, unskilled cadre. This country is too

poor to be able to waste money on some segment of social life—that is first—and second, the Army is an extremely important element of our state structure, and it is inadmissible to create insecurity in its most essential parts, among the young, skilled cadre. We must take advantage of every means available to take care of these people. This restructuring, sir, is in our opinion, poorly considered; it does not take into account the role and place of this Army in the new Europe.

[ZOLNIERZ WOLNOSCI] The bill on professional military service is in preparation.

[Szymanderski] It is practically ready; only the final consultations in the commission's group of experts is still going on. However, one comment here. This work has gone on long enough, chiefly with regard to the lack of models. Before we presented a concrete bill, we had to acquaint ourselves with similar laws of many, many other countries.

[ZOLNIERZ WOLNOSCI] What in the bill that has been worked out attracts particular attention?

[Szymanderski] The thing that in our conviction is the most necessary to the cadre. I am thinking, namely, about the clear legal arrangement of that profession. The law should define exactly the working conditions of the professional soldier, to provide for some sort of contract, an agreement about work that will precisely define duties and rights, make concrete at last the concept of so-called humanization, which is being bandied about, and the meaning of which is at this moment unknown. As yet this is rather more of a propagandistic definition and does not yield much in practice, especially to the professional cadre.

[ZOLNIERZ WOLNOSCI] That is a serious objection and, in addition, as I see it, very general, devoid of concrete arguments.

[Szymanderski] Dear sir, in the professional literature, whether it be Soviet, American, French, or any other, it is easy to read that the modern battlefield demands a person who is conscious and, above all, brave, not afraid to make a decision. This person—officer, ensign, or NCO—must also be brave in peacetime. He must make decisions without fear of what his superior will say or how he will react. He will be that sort when he is backed up by a law that makes him a legal entity, clearly defining his legal status, his duties, and the authority that follows from them. But the way it is today—I know this from hundreds of interested people from the professional cadre—before they make any kind of decision whatever, they glance at their superior and his superior and his superior's superior and so on. Please note that what I say does not stand in opposition to discipline, the principle of one person command, which must exist in the Army. If however a decision lies within the powers of a commander at some level, then there is no reason to look higher. Thus, it is not permissible for officers to be unsure of their legal foundations.

The next problem is connected to this and I beg ZOLNIERZ WOLNOSCI to publish precisely what I will now say. That is, it is a matter of the military authorities' attempt to establish a trade union of professional soldiers from above. There was a plan to organize a "defense system" trade union. This was an attempt, as it were, to fill the vacuum left by the party, a vacuum that should not be filled by anything, because the trade union will be the next superfluous institution. There exists a danger that as a result of compulsory participation, activists of the so-called apparatus will quickly "hook up"—and history will repeat itself.

[ZOLNIERZ WOLNOSCI] I am forced to interrupt you, because what you are saying does not agree with the truth. In the columns of this newspaper, discussion has concerned and continues to concern, above all, the topic of grass roots initiatives to create something in the shape of a cadre trade union. Not from above, but from below.

[Szymanderski] It is you who is swerving from the truth. Yes, I have noted your activities, but the strenuous efforts of the adherents of the old order to force through their own conceptions are continuing. I have at my disposal fresh examples from a few days ago, and I have this from various individuals. I believe that it is not a good idea to heat up the atmosphere in the Army, which is not the best in any case. In our opinion, this should be put off until a new law is implemented. Let there first be a clear legal status for the professional soldier, and then let him himself, if he wants, decide whether to create some spokesmen for his affairs or unions or associations. That is exactly why I believe that this is a very important law.

[ZOLNIERZ WOLNOSCI] When it is implemented, will the professional cadre be better off?

[Szymanderski] Decidedly. First, it will feel more free, it will feel that there is not what I would define as service after service. I am not speaking here about duties that should be fulfilled 24 hours a day. I am thinking about the time he will have at his disposal after work, when, of course, nothing important related to defense is going on. We aimed moreover for the decided limitation of the many authorizations that the cadre was previously obliged to obtain for various activities. If members of the cadre wants to take on, for example, some additional economic activity, let them take it on, let them work extra, that is their business.

[ZOLNIERZ WOLNOSCI] As far as I know, there has not yet been wide consultation on the bill.

[Szymanderski] We are thinking about just that. I even think that it should, if the parliamentarians recognize this as correct, be published in ZOLNIERZ WOLNOSCI, and discussion should be conducted in its columns. However, as far as so-called consultation is concerned, I want to say one thing, which will perhaps not be popular. We have consulted many experts with regard to this bill, some of them professional officers, experts, and truthfully I see no reason to resort to the methods of so-called

consultation, which was developed in the post-martial law epoch and still earlier under Gierk. These methods are the aftermath of the fear of making decisions. We parliamentarians, elected by the people, perhaps not in completely free elections, but nearly free, know what our powers are. The Sejm makes the laws. There is not a definite need to conduct consultations in connection with this, wide-ranging discussions on the bill, which is a relatively short legal act. Discussion should come afterwards on the interpretation of this document, on the executive acts that decide that the law is alive.

[ZOLNIERZ WOLNOSCI] "Nothing about us without us"—there was once a fashionable slogan like that!

[Szymanderski] Dear sir, we make laws in many fields. We have prepared bills on taxes and monetary law without organizing meetings of currency exchange operators; bills on business, for example, without calling together shopowners; we talk about cinematography without having meetings of directors, actors, and possible future owners of movie houses. This is normal. We have experts. They participate in all of our work, they give opinions, they make suggestions. In the case of the bill on professional military service, considering the need to awaken greater public interest in this important matter, I propose to have a discussion. However, not because we are uncertain of ourselves—that is out of place—only in order to show the nation that the Army issue is an issue of unusual importance.

[ZOLNIERZ WOLNOSCI] Thank you for the interview.

### Army Provides Rebuttal

90EP0411C Warsaw ZOLNIERZ WOLNOSCI  
in Polish 14 Feb 90 p 3

[Article by Z. Janos detailing comments of Colonel Ryszard Pawlikowski, representative of the Polish General Staff; place and date not given: "Army Issue Is Issue of Unusual Importance"]

[Text] In yesterday's issue of our paper, we ran an interview with the deputy chairman of the Sejm's Commission on National Defense, Deputy Jacek Szymanderski. Answering one of the questions, Deputy Szymanderski stated that "restructuring is...has been poorly thought out; it does not consider the role and place of the Army in the new Europe...."

And what is your view on this issue? With that question we turned to a representative of the General Staff of the WP [Polish Army], Colonel Dr. Eng. Ryszard Pawlikowski.

[Begin Pawlikowski comments] I think that the objection to "poorly considered restructuring" sounds like the accusation of a tribunal. It is difficult to find concrete arguments for his statement.

ZOLNIERZ WOLNOSCI's guest used scientific terms to call those with whom he was conversing—professional soldiers—"a representative group." The trouble is that



each member of this group—even the best educated—perceives the problem individually, from a completely different viewpoint and is interested, in a manner natural to each person, in the personal aspects of the issue. It would be interesting to see how the realization of the economic recovery program would look, if it were built on the basis of this type of consultation (would you like to earn more, live better, or get promoted?)

We shall first explain that the role of the Armed Forces of the Polish Republic does not result from the "role and place of this Army in the new Europe, which is still hard to precisely define," the conception of which is being developed right now, but rather it results from the Constitution of the Polish Republic (Art. 8), which is just now being amended by the popularly elected parliamentarians. It results from the Polish *raison d'état*, which after all is taken into consideration by this document of the highest rank.

The foundation of this *raison d'état* is the inviolability of the Republic's borders and the unshakable territorial integrity of our country.

The current program of restructuring is not supported by the interests of the "young" or "old" professional cadre as a social group that also bears the costs of the country's emergence from crisis.

The military needs both the young and the older cadre—the older too, because it possesses high qualifications, often supported by diplomas from a number of academies, scientific degrees and titles, and above all because it is characterized by many years of command-staff experience. The Polish Army, like other highly technological armies, is based on the efficient symbiosis of youth and the experience acquired with age.

The Armed Forces are an attribute of state sovereignty, and they will be an important element of the realization of this policy, both in the current as well as the new Europe. This policy is formed not by the professional cadre of the Army, but through the parliament—the highest representative body of the people—the National Defense Committee, and the chief of the Armed Forces of the Polish Republic.

This policy does not create a model of "the new Europe" devoid of a guarantee for the security of our borders. On the contrary, in the premier's speech in the Sejm not quite five months ago, warnings were out and out resounding that "you are not permitted to destroy anything that up to this point has determined our national security." The premier expressed the readiness of the government to respect the international agreements binding Poland and to develop cooperation with our neighbors and the countries of our continent.

The main directions of the government's foreign policy were most recently confirmed in a statement of the minister of foreign affairs at a press conference on 9 February: the maintenance of good relations with the USSR, the need to formulate a new German policy, and

concentration on the possibilities of being included in various European structures.

The program of restructuring the Armed Forces does not stand in opposition to all this. Of course, tempestuous times like those in which we are living will force us to make certain corrections.

Politicians and ordinary citizens are today asking themselves: What will lie ahead in the new Europe when an eighty-million-person giant appears in the form of a united Germany? Will we not in the future be colonized with the help of foreign capital? How will the development of our eastern neighbor's situation unfold? Will reliable guarantees for our western and northern borders be created in this new Europe?

Does Deputy Szymanderski want to reply today unambiguously to these and other questions (for example, how will the further "23" disarmament negotiations in Vienna proceed, and does he foresee the possible withdrawal of these from Poland; what new security system in Europe will replace today's politico-military alliances?)

Without attempting to answer these questions, it is difficult to evaluate the military restructuring program and still harder to correct it.

This program takes into consideration facts such as:

- A state, even of medium size, of the sort Poland is, does not currently and will not have in the new Europe a chance at effectively defending itself "in a showdown;"
- size and national security are closely tied to international security, and particularly European security;
- at the base of Poland's security lies not confrontation, but confidence-building;
- the shape, quality, and military potential of the Army result from many factors, including the size of the threat, the tasks, and the economic possibilities, which must be seen on the broad scale;
- the restructuring program that has been initiated is consistent with the unilateral reduction of the Armed Forces. This is a prerequisite of the creation of an image of our country's trustworthiness in the military sphere as well as the rationalization of the defense effort in the current situation.

There has already been repeated talk of the essence and extent of the changes in the Armed Forces, including in ZOLNIERZ WOLNOSCI (I am referring to appropriate interviews and publications). This is a large, difficult operation conducted on the living organism of the Army, which may not lose its fighting condition.

Let the following fact testify to its extent: Until now about 150 various units have been modified organizationally and about 70 have been eliminated. In connection with this, more than 8,000 members of the professional cadre have changed positions; about 2,000 of these had to transfer to other garrisons.



So it would be difficult for this operation not to be felt, for it to take its course without any shocks. It must be planned and carried out all the more wisely and prudently with sensitivity, but without emotion, so that it does not lead to irreversible effects in the form of the patient's death.

If the signs of discontent in that part of the cadre whose life has been complicated by restructuring are understandable, then it is impossible to understand why the deputy draws such wide-ranging conclusions on this basis.

As for the "bureaucratic apparatuses," it is well known that this has to do with the IC MON [Hq Offices, Ministry of National Defense] and the operational staffs. However, no one begins a serious operation on a patient by cutting off his head, if the entire organism requires a cure.

To clarify this matter, these "apparatuses" have already been reduced by more than 10 percent, and in the near future a measure is anticipated according to which their manpower will be reduced by another 10-20 percent. Within that framework, the "apparatuses" will be remodeled appropriately. [end comments]

## CZECHOSLOVAKIA

### Socioeconomic Developments Report 1989

90CH0009A Prague HOSPODARSKE NOVINY  
in Czech 9 Mar 90 pp 1-16

[Text]

### Federal Statistical Office Report on Social and Economic Development in the CSSR in 1989

With the year 1989 which has just ended, the long-lasting stage of development of the Czechoslovak economy based on the principles of central and command management has closed. For more than four decades, the current profile of the national economy has been gradually taking shape. It is marked by high consumption of raw materials, energy and labor, by slow technological progress, distorted prices, excessive redistribution, lack of independence and low motivation of producers, and in its final outcome by an insufficient degree of meeting the needs of individual citizens as well as the entire society. The legacy of the past is extensive, and does not have only the material aspect but also represents the installed system of linkages and regulations.

The extensive method of economic management, marked by a consumption of raw materials and energy that is two or three times higher than in developed countries, is a considerable burden on the environment. In the volume of emissions of the most serious pollutants we find ourselves in the forefront among European countries (for example, in sulfur dioxide emissions per 1 square kilometer, we are in second place, and in nitrogen oxide emissions in third place). The pollution of streams is reaching critical levels and in combination with the long inadequate precipitation it is becoming a limiting factor to a higher utilization of water resources.

The poor state of the environment, together with a life style distorted by serious failures of the economic system, has had a negative impact on the development of comprehensive demographic indicators. For an entire quarter century the median life expectancy has been stagnant and our position in international comparison has worsened. Whereas at the beginning of the sixties we were behind the country with the longest median life expectancy—Sweden—by four years for men and 2.6 for women, at present we are behind first-ranked Japan by eight years for men and six years for women.

The Czechoslovak economy has long been growing at the expense of future generations. The evidence of that can be seen, for example, in the backward technical level of fixed assets—machinery, buildings, and equipment. Although their value at the end of 1989 reached the sum of Kcs 3.7 billion (in purchase prices), they have an unfavorable age structure. The average age of machinery and equipment is quite high, almost 11 years; the degree of obsolescence has already exceeded 57 percent. The situation is very serious in some of the previously neglected areas of economic and social life, particularly

in the nonproducing sphere. Nor is it much better in some of the less preferred production branches, for example, in printing presses the degree of obsolescence has reached 61 percent and in branches of light industry 51 to 60 percent.

The low efficiency of the economic mechanism is also seen in the slow improvement of the technological level of machinery and equipment and their low rate of utilization. It is not surprising, therefore, that while the technology/labor ratio has been increasing (roughly by four percent a year) and the shift work rate stagnated, the efficiency of capital assets has been declining.

The command system of economic management caused economic disequilibrium, which was marked on one hand by shortages of goods and on the other hand by excessive inventories. The volume of inventories kept growing and it has already exceeded the annual level of the produced national income. The inventory-intensiveness of our economy is considerably higher than in the developed market economies.

The efficiency of our external trade has been developing unfavorably for a long time. With the increases in import prices and low competitiveness of our products on world markets, our terms of trade have been growing worse for a long time, especially during the second half of the seventies and the first half of the eighties. Since 1970 they have declined a full 30 percent. It is even more tellingly apparent in the lower per kilogram prices of exported Czechoslovak machine tool products to West European markets. Whereas in 1960 our price per kilogram was still almost one-half of the average world price, at present it is less than one-fourth. It is obvious, therefore, that in order to ensure the same volume of imports we had to export an ever greater amount of national labor.

The nominal as well as the hidden increase in domestic prices together with the unfavorable terms of trade on foreign markets is one of the immediate causes of the decline in the purchasing power of the Czechoslovak koruna.

Also unfavorable, together with the branch structure of the economy that has an excessive share of material-intensive productions, is the size structure of the enterprises that have the features of a high degree of monopolization. During 1988 and 1989, when an organizational restructuring of the production base was undertaken, the aforementioned shortcoming was not corrected; on the contrary, the average number of workers per state enterprise reached 2,273, and in industry was as high as 3,588.

Another debt from the past is the underestimation of economic incentives and the ensuing low motivation and utilization of the workforce. Wage leveling, particularly the undervaluation of skilled work, contributed a great deal to this. The decline in the social prestige of skills and specialized education is particularly dangerous at the time of an accelerated technological progress on a

global scale. During the past several years the number of students accepted to our institutions of higher learning remained stagnant; in comparison, we are far behind such countries as Austria, the FRG, Belgium, Sweden, or Denmark in the number of students per 1,000 of the population.

So much—briefly—for the results of the past stage of development with which we are entering into the new socioeconomic conditions. The last year of that stage, 1989, was not fundamentally different from previous ones. The rate of economic growth declined somewhat in comparison with 1988. The growth of the gross national product [GNP] declined, according to a preliminary estimate, from 2.8 percent in 1988 to 1.7 percent, compared to the GNP in developed countries with market economies, which grew according to estimates by 3.6 percent. In this connection it must be mentioned that current methods of following the development of prices do not reflect the hidden movement of prices, and the real dynamics of our economic growth may be slower than stated.

The causes of the slower rate of growth of our economy were rooted mainly in the slower decline of the material-intensiveness of production and also in the slower rate of industrial production. In connection with the reduction of arms production the output of general engineering declined. The electrotechnical and food industries, as well as the output of healthcare products did not grow at the planned rate. On the other hand, no success was achieved in reducing the mining of ore and the production of the metallurgy industry and some other raw material-intensive branches. However, the relatively high increases in the output of light industry can be rated positively.

The slow decline in the cost of production and the increase of inventories instead of the expected drop had an adverse impact also on the revenues to the state budget. Their rate declined compared with 1988, and expenditures increased contrary to expectations, particularly in the form of subsidies to economic organizations and expenditures for social security. According to preliminary results, the budget shows a deficit.

As in previous years, the source of the economy's imbalance was capital construction. In connection with the disproportionately long terms for finishing construction, the delay between the time wages are paid to the workers of the supplying organizations and the time constructed capacities are put into operation has an inflationary influence on the domestic market.

The dynamics of creating material resources was surpassed by the growth of income (mainly social benefits) and even more by the citizens' expenditures on the domestic market. However, the needs of the customers—as in the previous years especially in the range of industrial goods—were not met.

In foreign trade, trade with nonsocialist<sup>1</sup> countries grew faster, but our improper export structure continued (high

export of raw materials and semi-finished products in comparison with more highly processed products). The problems in the balance of payments did not change significantly either. Whereas our gross indebtedness to nonsocialist countries at the end of November was roughly \$7.4 billion, in relation to socialist<sup>1</sup> countries we find ourselves as creditors with a total volume of claims in the amount of Kcs 43.5 billion.

The results of the socioeconomic development in the past year will be made clearer by evaluating its individual areas:

### The Standard of Living and the Environment

The discrepancy between the need for and the creation of resources was reflected in the standard of living. The desired improvement in satisfying specific needs of the population was not achieved.

Toward the end of the year 7,868,000 people were employed in the national economy, and of these 41 percent were in the service sector; in developed countries this is mostly somewhere between 50 to 70 percent. The increase in employment was slower in 1989—the increase over the previous year was 30,000 workers. The number of workers increased only in the individual activities of citizens providing services on the basis of permits issued by national committees; in the state and the cooperative sectors the rate of employment declined overall. It increased in community services (by 10,000), in education (by 10,000), health care (by 7,000), and in domestic trade (by 6,000). The turnover of labor increased—580,000 permanent workers changed employers (that is, 9.1 percent of the total number) in comparison with 480,000 the previous year (7.5 percent).

Nominal income, which the population uses to satisfy its needs, increased 3.3 percent. Income from wages increased 2.7 percent, from agriculture and sale of agricultural products 3.8 percent, and income from social programs 5.9 percent. As a result of the increase in the cost-of-living index, the population's real income grew only 1.8 percent. But if we also take into consideration hidden inflation, which is not reflected in the cost-of-living index, we can assume stagnation in the real income.

In 1989 there was a special statistical inquiry into the income of households according to individual social groups, a so-called microcensus. According to the results of this inquiry, income for all households during the years 1985-88 increased on the average, but among individual households the increase was considerably differentiated. Net income in the years 1985-88 grew 8.7 percent, which represents an average yearly increase of 2.9 percent. The growth of real income, however, was substantially lower.

**Growth of Per Capita Income in Kcs by Social Group of Household**

| Social Group of household     | Net Income |       | Index 1988/1985 of nominal income |
|-------------------------------|------------|-------|-----------------------------------|
|                               | 1985       | 1988  |                                   |
| Blue collar workers           | 1,614      | 1,756 | 108.8                             |
| White collar workers          | 1,815      | 1,956 | 107.8                             |
| Cooperative farmers           | 1,723      | 1,896 | 110.0                             |
| Nonworking pensioners         |            |       |                                   |
| Excluding economically active | 1,312      | 1,440 | 109.8                             |
| Including economically active | 1,762      | 1,946 | 110.4                             |
| All households                | 1,662      | 1,806 | 108.7                             |

Despite the increase in household income, in 1988 more than 380,000 households, including almost 900,000 people (roughly six percent of the population), had a net monthly per capita income of less than Kcs

1,000, that is, at the borderline of social assistance needs. Among the lowest-income households were households with a higher number of children and households of nonworking pensioners, particularly the elderly.

Also especially difficult is the situation of one parent families, of which there are almost 180,000 in the CSSR according to the microcensus. Their average monthly per capita income is Kcs 1,399, but one-fifth of these households has a monthly per capita income of Kcs 1,000 or less.

The average gross monthly wage of workers in the state or cooperative sector was Kcs 3,218 in 1989, and in comparison with the previous year rose by 2.4 percent, the average net monthly wage of workers (after deducting the tax on wages) was Kcs 2,620. Of the total number of fulltime workers, 12 percent (almost 800,000 workers) received gross monthly wages of up to Kcs 2,000, 35 percent received Kcs 2,001-3,000, 30 percent received Kcs 3,001-4,000, 15 percent received Kcs 4,001-5,000, and 8 percent received over Kcs 5,000. The differentiation in wages did not increase.

**Structure of Households by Income (percent)**

| Net monthly per capita income in Kcs | All Households | Households             |              |                 |                 |
|--------------------------------------|----------------|------------------------|--------------|-----------------|-----------------|
|                                      |                | Childless <sup>1</sup> | with 1 child | with 2 children | with 3 children |
| Up to Kcs 1,000                      | 5.8            | 5.7                    | 3.5          | 4.7             | 10.8            |
| 1,001-1,200                          | 9.1            | 7.9                    | 5.5          | 10.5            | 21.9            |
| 1,201-1,400                          | 12.5           | 9.0                    | 8.4          | 19.4            | 31.5            |
| 1,401-1,600                          | 14.6           | 9.9                    | 12.6         | 26.4            | 21.9            |
| 1,601-1,800                          | 12.1           | 8.3                    | 16.9         | 19.2            | 8.6             |
| 1,801-2,000                          | 9.7            | 7.7                    | 17.4         | 11.1            | 3.3             |
| 2,001-2,200                          | 8.0            | 8.0                    | 14.5         | 5.1             | 1.2             |
| 2,201-2,400                          | 6.5            | 8.0                    | 9.6          | 2.1             | 0.4             |
| 2,401 and above                      | 21.7           | 35.5                   | 11.6         | 1.5             | 0.4             |

1. Including families of pensioners

Roughly half of the workers receiving higher wages are blue collar workers, particularly in the branches of fuel mining, metallurgy and construction; the other half are workers in other categories, particularly workers with a higher level of education and long experience. The average gross monthly wage of working women was Kcs 2,602, and of working men Kcs 3,714; women are overwhelmingly employed in branches with a lower wage level.

Financial expenditures of the population increased 3.5 percent, as did their largest component, retail purchases. The structure of expenditures as divided into purchases of food, industrial goods, and services in the ratio of 35:43:22 is characterized in comparison with the West European countries by a large share of expenditures for food and a small share of expenditures for services. In

Czechoslovakia the expenditures for services are lower partly also as a result of the consumption of services subsidized out of the state budget.

In 1989 measures for regulating loans made themselves felt, and in that connection the amount of loans granted to individuals by state savings banks declined significantly (only Kcs 13.9 billion against Kcs 15.8 billion in the previous year). The decline in the savings rate continued (from 3.7 percent in 1988 to 3.6 percent), even though deposits increased by Kcs 12.1 billion. The average per capita deposit was Kcs 17,755.

The economy's imbalance is primarily reflected in the situation on the domestic market, which is characterized by the disproportion between supply and demand, particularly in industrial goods and services. The rate of growth of retail turnover in current prices declined

during the course of the year, but it was still comparatively high. In 1989 retail turnover increased in comparison with the previous year by 3.7 percent, for food 1.4 percent, and for industrial goods 5.6 percent. The increase was to a considerable degree the result of intangible growth; retail prices (including restaurant food) increased by 1.4 percent.

The development of retail prices was influenced not only by changes in the individual prices of goods and services, but primarily by the change in the range of goods, which reflected the effort of the producers and producing organizations to shift the supply of goods to a higher price level. That is proven by the growth of the average prices of some groups of sold merchandise. During 1989 there was a significant increase in average prices of vegetables (9.8 percent), milk (10.3 percent), passenger cars (17.0 percent), heaters and kitchen ranges (11.1 percent), broadcast receivers including radio sets (11.4 percent), underwear (7.0 percent), outerwear (7.4 percent), bicycles (7.9 percent), and motorcycles and scooters (5.7 percent). The reason for these increases lies mainly in the change of the supply structure, sometimes in favor of a new quality of the merchandise (for example, higher sales of long-shelf-life milk), but often they are also the result of a high monopolization of production and the method of price formation that has been used thus far.

There were no serious problems with the supply of food; from the point of view of volume, demand for most types of foodstuffs was met. There were some problems concerning the selection of some meat and milk products, fruits and vegetables, and, particularly during the summer season, of non-alcoholic beverages.

A more complicated situation existed in the product selection of industrial goods. The range of goods in short supply was not significantly reduced, which was confirmed also by the results of the study by the Trade Research Institute on meeting consumer demand. The demand was not fully satisfied particularly in the case of clothing, textile products, and footwear. Partial improvement, also by virtue of higher imports, was achieved in the supply of color televisions, of which 504,000 units were sold. Neither was demand met in the case of passenger cars, of which 133,900 were sold last year, that is, 1,400 fewer than in 1988, motorcycles, and sporting bicycles including spare parts. Construction materials and construction needs continued to be in permanent short supply. Of other types of goods, the market lacked portable color television sets, videos, freezers, automatic top-loading washing machines, dyes, thinners, photographic materials, all kinds of furniture, etc. Disruptions in the supply of hygienic products were eliminated.

Tourism grew dynamically last year. By the end of 1989, altogether 29.8 million visitors came to Czechoslovakia, and the number of Czechoslovak citizens traveling abroad was 8.6 million during the same period. The number of one-day visitors from Hungary and the GDR was still high, and the number of one-day visitors from Poland, the USSR, and Yugoslavia for the purpose of

buying (but also selling) excessive amounts of consumer goods rose considerably. These purchases disrupted in some areas the level of supplies for the local people.

In the area of paid services provided by local production and service enterprises and by production cooperatives there are still permanent deficiencies in the range of supply, quality, and availability of services, even despite the increase in volume indicators. This demonstrates the discrepancy between current management methods and the decentralized character of providing the services. Although the earnings of these organizations from the public increased in comparison to the previous year by 2.9 percent, their earnings from the public for services increased only 0.4 percent, while at the same time the receipts for construction work for the public declined 2.8 percent.

The low level of satisfying public demand makes it necessary to develop other ways of providing services. The number of permits issued to citizens in 1989 by the national committees for providing services was 86,800, almost 70 percent higher than in 1988. The activity of small workshops of the national committees also grew significantly, and their earnings rose almost 43 percent compared to 1988.

The total expenditures for social benefits were influenced by the provisions of the law in force as well as by demographic developments. In 1989, Kcs 94.5 billion, that is, 5.3 percent more than in 1988, was spent for social security, including pensions and health insurance.

The income from pensions, which constitutes 65 percent of total social security benefits, was 6.9 percent higher than in 1988, mainly as a result of the law amendment enacted on 1 October 1988 and the increase in the number of disbursed pensions.

Number and Structure of Disbursed Pensions

| Type of Pension               | 1980  | 1985  | 1989  |
|-------------------------------|-------|-------|-------|
| Total in thousands            | 3,774 | 3,986 | 4,150 |
| old age pensions              | 1,993 | 2,212 | 2,342 |
| disability pensions           | 697   | 706   | 723   |
| widows' and orphans' pensions | 936   | 968   | 978   |

The average monthly amount of disbursed pensions increased for old age pensions to Kcs 1,519 (from the workers' pension fund) and to Kcs 1,255 (from the cooperative farmers' pension fund). The amounts of previously granted pensions are constant (with the exception of one-time legal adjustments), and as a result these pensions lag behind the level of the newly granted pensions which, however, are also low. The share of the average amount of old age pensions paid from the workers' pension fund was 47.2 percent for gross wages



in 1989, and 58 percent for net wages. A considerable percentage of citizens drawing old age pensions take advantage of the possibility of further employment; according to the latest survey in 1987, this option is used by about 704,000 people, that is, by every third pensioner. After becoming eligible for an old age pension but not drawing it, roughly 51,000 people continue to work, two-thirds of those being in the intellectual professions.

Services and care for elderly citizens and for citizens with severe health handicaps are organized by national committees and are financed out of their budget. Expenditures for these services exceed Kcs 1 billion, and of that more than Kcs 250 million goes to nursing services. There were 79,024 places in social welfare facilities as of 31 December 1989; of these, 42,283 were in homes for pensioners and 8,105 in boarding houses for pensioners.

In health care facilities (including railroad) toward the end of 1989 there were 197,800 available beds, with 124,300 of these in hospitals. The total number of beds increased only by 181 during the year, and in the key types of health care facilities it even declined. This is only 7.9 beds per 1,000 population. A more significant increase occurred in the capacities of hospitals for patients with chronic illnesses—379 beds compared with 1988. There were 115,300 children—18.2 percent of children up to the age of three—placed in nurseries.

There were 51,900 doctors, 303 more than in 1988. In the ambulatory facilities for preventive medical care the number of physicians was 29,900, which means that there was one doctor for 521 people in ambulatory facilities for preventive medical care. The health care situation is complicated by a shortage of diagnostic technology and interruptions in the supply of drugs and healthcare products. Preventive care is not at the necessary level.

In the 1989/90 scholastic year, there were 1,961,700 children attending primary schools; the number of pupils per class declined in comparison with the previous year from 27.5 to 26.7, and the number of pupils per teacher went from 20.8 to 20.09, which is still too high, compared with other countries. There was also a strong tendency to staff primary school mainly with women; the share of women teachers in the total number of teachers in primary schools was 82.9 percent. There were 152,100 daytime students in high schools; in secondary-technical schools, there were 239,500 students. In secondary-vocational training centers 465,500 students prepared for employment as blue collar workers, including 69,700 in courses culminating in examination for high school diplomas. In institutions of higher learning 173,500 students were enrolled in all forms of studies, including 137,900 daytime students who were Czechoslovak citizens. In addition, 898 students were studying in divinity schools.

In housing construction the situation has been critical for several years. Whereas in the seventies, new construction provided on the average 126,000 new apartments, in the

period since 1986 roughly only 82,000 apartments were completed. During the past year the number of completed apartments increased by 6.4 percent in comparison to 1988, but 9,443 fewer apartments than planned were completed. Of those completed only 77.8 percent passed the building inspection.

#### Housing Construction

|                                 | 1980    | 1985    | 1989   | 1989 in<br>Percent<br>1988 |
|---------------------------------|---------|---------|--------|----------------------------|
| <b>Finished<br/>Apartments</b>  | 128,876 | 104,524 | 88,192 | 106.4                      |
| communal                        | 28,362  | 18,188  | 23,453 | 114.3                      |
| cooperative                     | 45,974  | 49,916  | 36,565 | 103.2                      |
| individual                      | 32,391  | 26,608  | 26,777 | 109.7                      |
| <b>Under<br/>construction</b>   | 112,125 | 78,467  | 91,278 | 93.2                       |
| <b>Renovated<br/>apartments</b> | —       | 6,249   | 3,997  | 86.6                       |

The modernization of the housing stock in socialist ownership is not progressing satisfactorily—last year only 62.7 percent of the planned number of apartments were renovated. Serious problems exist in the maintenance of the housing stock. Insufficient maintenance was the reason why the overall condition of housing in state ownership deteriorated further.

Investments designated for the protection of the environment amounted to Kcs 4.9 billion in 1989 (that is, 2.9 percent of the total volume of capital investments and deliveries); of that Kcs 2.7 billion was for the protection of water resources. In the CSSR at the present time, the annual emissions into the atmosphere amount to 2.7 million tons of sulfur dioxide, about 1 million tons of nitrogen dioxide, roughly the same volume of particulates and carbon monoxide, and about 0.2 tons of hydrocarbons. In the volume of emission of various pollutants, Czechoslovakia holds first place in Europe.

In comparison with 1986, particulates emissions were reduced by about 15 percent, mainly as a result of the reconstruction and modernization of separators currently in place and the introduction of new ones into operation. The reduction of sulfur oxide emissions by about four percent was the result for the most part of savings in the use of fossil fuels during a rather mild winter. The emissions of other main pollutants were not reduced.

A serious, and thus far inadequately solved problem, is the disposal of solid, liquid, and toxic waste.

#### Demographic Development

Changes in the life style and a greater emphasis on the material side of the standard of living is manifested in almost all European countries including Czechoslovakia by a long-lasting and marked decline in the number of children born. In the CSSR the number of children born

has been steadily declining since 1975. In 1989, the number of children born was 208,000—the smallest number during the entire existence of the independent Czechoslovak state since 1918.

The low birth rate was caused to some extent by a temporary decline in the number of women of child-bearing age. There were 1,042,000 women in the 20-29 age group in Czechoslovakia as of 1 January 1989, the smallest number since 1967. The decline in the willingness to undertake parenthood was manifested by the strong increase of induced abortions after the enactment of new laws valid since 1987. Although in 1989 the number of induced abortions declined somewhat in

comparison to 1988, it remains high. For every 100 live births in the CSSR there were 88 abortions; in Prague and Bratislava the number of pregnancies which were terminated by abortion was higher than the number of live births.

The developments in mortality continue to be unsatisfactory. In 1989, 180,000 people died in the CSSR, which is consistent with the longtime average. The average life expectancy in Czechoslovakia has been stagnating for more than 20 years, whereas in the absolute majority of other European countries and elsewhere in the world it is markedly increasing. At the present time it is a mere 67.8 years for men and 75.3 years for women, and is one of the shortest in Europe.

**Basic Data on Demographic Developments in CSSR**

| Indicator        | Absolute (thousands) |      |      | Relative (per 1,000 people) |      |      |
|------------------|----------------------|------|------|-----------------------------|------|------|
|                  | 1980                 | 1985 | 1989 | 1980                        | 1985 | 1989 |
| Live Births      | 249                  | 226  | 208  | 16.3                        | 14.6 | 13.2 |
| Deceased         | 186                  | 184  | 180  | 12.2                        | 11.9 | 11.4 |
| Natural Increase | 63                   | 42   | 28   | 4.1                         | 2.7  | 1.8  |

The natural increase in population was 10,000 lower in comparison with 1988 and the lowest since 1945. There were 118,000 marriages and 40,000 divorces. The number of divorces in 1989 was the highest registered up to this time. The greatest divorce rate continued to be in the capital city of Prague and in the Northern and Western Bohemia Regions. The population as of 31 December 1989 reached 15,651,000, with 10,363,000 in the Czech Republic and 5,288,000 in the Slovak Republic.

#### Structure and Dynamics of Formation of Resources in Main Production Branches

In the development of the technical level of production, the Czechoslovak national economy lags behind industrially developed countries. Although the Czechoslovak economy possesses a considerable research and development [R&D] potential, the achieved results do not indicate that. In the last year, 205,000 people were working in the R&D base and their number remained at the level of the previous year; only 56 percent of them were engaged in actual research and development which included the entire broad range of Czechoslovak products. Costs of the R&D activity were Kcs 24.6 billion.

The low innovativeness of industrial enterprises persists. Last year, new products comprised 5.9 percent of the total volume of production, which means that the time needed to vary the entire range of goods is roughly 17 years. The quality of many of our products does not meet the needs of efficient growth. The share of products with the top rating of "Q" in the entire range of new products did not change in comparison with 1988, and remained at 0.9 percent. Overall it was given to 158 products, mainly among consumer goods. The unsatisfactory results of R&D were caused to some extent by spreading research capacities among an excessive number of

projects, but especially by the fact that the economic mechanism did not create the necessary motivating climate for accelerating the innovative process.

In the centrally managed industry the volume of industrial production increased in 1989 in comparison with 1988 by 1.0 percent and reached Kcs 898.4 billion. The trend toward a slowing down of production growth continued. In the basic mining and raw and processed material intensive branches production increased 0.2 percent, and in the manufacturing industrial branches 1.6 percent. Thus far, the needed structural changes have not been implemented to any appreciable degree.

The output of the quite extensive base of the fuel energy and metallurgical complex is still not being efficiently utilized in the manufacturing industries, the machine tool industry in particular. For example, in 1989 for each Kcs 1,000 worth of output of the basic industry there was Kcs 1,544 worth of output of the manufacturing industry, that is, only 1.4 percent more than in 1988 and 3.1 percent more than in 1985. Similarly, the ratio of the volume of the metallurgical industry to the total volume of the machine tool output showed a not very satisfactory development. A cutback of any significance in the energy and material intensive productions of the basic industrial branches was not achieved.

The fuel and energy intensiveness of our national economy remained at a relatively high level despite the favorable winter conditions of the past two years. The increase in the production of electricity was considerably ahead of the dynamics of growth of the industrial production. The output of nuclear power plants increased 5.5 percent and of the steam power plants by 1.8 percent. Some of the produced energy was exported. But with

regard to the ecological situation as well as the total cost of producing electricity, its export cannot be considered to be an economic gain.

The slowing down of the growth of production dynamics in 1989 was evident also in the manufacturing industry, particularly in general engineering as a consequence of the cutbacks in arms production (decline of 0.9 percent); the rate of growth of the electrotechnical industry slowed down moderately. On the other hand, the output increased more rapidly in some branches of the light industry, particularly in the glass, ceramics and porcelain industries by 6.4 percent, and in the clothing industry by 4.0 percent. As a result of favorable developments in agricultural production, the output of the food processing industry has been developing on the whole successfully.

Deliveries of the centrally managed industry to the domestic market increased in comparison with the corresponding period of the previous year by 4.7 percent in

wholesale prices. Deliveries for export to socialist countries declined 5.2 percent, and to nonsocialist countries they increased 6.1 percent. The adaptability of the production to the needs of the domestic and foreign markets remained slow. The influence of monopolization was evident in the production of some goods, and this acted as a brake not only on technical innovation but also making the market more interesting by providing a greater variety of new, fashionable, and attractive goods.

The efficiency of industrial production did not increase substantially. The overall cost intensiveness of output declined relatively by 0.48 percent in comparison with 1988, which included a decline of 0.36 percent in material costs. Total profits rose 3.7 percent. The efficiency of basic resources declined further by 3.5 percent.

In 1989, on the average 2,729,200 workers were employed in industry, that is, in comparison with the previous year 18,900 fewer people (0.7 percent less). The average monthly wage of industrial workers was Kcs 3,351 and in comparison with the previous year it increased by Kcs 70, that is, by 2.1 percent.

**Development of Basic Indicators in Selected Branches (Planning Groups) of Centrally Managed Industry in 1989**

|   | Gross Product 1989 in % |       | Number of Workers 1989 in % | Labor Productivity of Gross Product 1989 in % | Average Monthly Workers' Wage 1989 in Percent |        |
|---|-------------------------|-------|-----------------------------|---|---|--------|
|   | 1985                    | 1988  |                             |   | 1988  | in Kcs |
| <b>Total centrally managed industry (incl. Kraj National Committee)</b> | 109.9                   | 101.0 | 99.3                        | 101.7   | 102.1   | 3,351  |
| <b>I. Basic mining, power, and material-intensive branches</b>          | 106.9                   | 100.2 | 99.3                        | 100.9   | 101.9   | 3,841  |
| coal mining   | 97.2                    | 97.3  | 99.2                        | 98.2  | 100.6   | 4,534  |
| gasworks  | 113.2                   | 102.4 | 98.5                        | 104.0   | 102.6   | 3,723  |
| heat and electricity production   | 110.9                   | 101.8 | 100.4                       | 101.4   | 102.3   | 3,825  |
| total metallurgy incl. ore mining                                       | 105.3                   | 100.4 | 99.1                        | 101.4   | 102.8   | 3,737  |
| chemical industry   | 108.9                   | 99.8  | 99.5                        | 100.3   | 102.0   | 3,472  |
| construction materials industry   | 109.4                   | 100.9 | 99.3                        | 101.7   | 103.1   | 3,341  |
| <b>II. Manufacturing</b>  | 110.5                   | 101.6 | 99.3                        | 102.3   | 102.3   | 3,148  |
| engineering   | 112.9                   | 100.6 | 99.1                        | 101.6   | 101.6   | 3,262  |
| heavy   | 108.5                   | 101.3 | 98.7                        | 102.6   | 101.4   | 3,528  |
| general   | 108.4                   | 99.1  | 98.9                        | 100.2   | 101.3   | 3,174  |
| electrotechnical industry   | 131.8                   | 103.3 | 99.9                        | 103.4   | 102.9   | 3,133  |
| wood processing industry (MLVD)   | 109.6                   | 101.3 | 98.7                        | 102.6   | 102.7   | 3,010  |
| light industry  | 108.6                   | 102.5 | 99.3                        | 103.3   | 102.9   | 2,942  |
| glass, porcelain, ceramics  | 110.3                   | 106.4 | 100.1                       | 106.4   | 102.8   | 2,997  |
| textiles  | 107.8                   | 101.3 | 98.9                        | 102.5   | 102.8   | 2,832  |
| clothing  | 109.6                   | 104.0 | 98.9                        | 105.2   | 103.3   | 2,840  |
| leather   | 103.0                   | 101.6 | 99.9                        | 101.6   | 102.7   | 3,195  |
| food processing industry  | 106.3                   | 102.6 | 100.5                       | 102.1   | 103.4   | 3,112  |
| health care products  | 123.5                   | 105.3 | 100.6                       | 104.7   | 104.9   | 3,135  |

Output of Basic Industrial Products

| Product                  | Unit of Measure | 1989 in Percent |        |        |       |       |
|--------------------------|-----------------|-----------------|--------|--------|-------|-------|
|                          |                 | 1985            | 1988   | 1989   | 1988  | 1985  |
| Black coal               | 1,000 tons      | 26,223          | 25,503 | 25,071 | 98.3  | 95.6  |
| Brown coal incl. lignite | 1,000 tons      | 100,387         | 98,000 | 92,300 | 94.2  | 91.8  |
| Processed crude oil      | 1,000 tons      | 16,744          | 16,660 | 16,692 | 100.2 | 99.7  |
| Electric power           | million kWh     | 80,827          | 87,374 | 89,255 | 102.2 | 110.7 |
| Pig iron                 | 1,000 tons      | 9,562           | 9,706  | 9,911  | 102.1 | 103.6 |
| Crude steel              | 1,000 tons      | 15,036          | 15,379 | 15,465 | 100.6 | 102.9 |
| Rolled material          | 1,000 tons      | 11,040          | 11,020 | 11,395 | 99.8  | 103.2 |
| Aluminium                | 1,000 tons      | 31.7            | 31.4   | 32.6   | 103.8 | 102.7 |
| Plastics                 | 1,000 tons      | 1,103           | 1,192  | 1,186  | 99.5  | 107.6 |
| Chemical fibres          | 1,000 tons      | 193.2           | 204.0  | 207.8  | 101.8 | 107.5 |
| Cement                   | 1,000 tons      | 10,265          | 10,974 | 10,888 | 99.2  | 106.1 |
| Lime                     | 1,000 tons      | 3,227           | 3,311  | 3,346  | 101.1 | 103.7 |

Within the framework of restructuring the organizational structures of the manufacturing, R&D, and distribution base, during the individual stages of the restructuring process in 1988 and 1989, gradually 681 state enterprises, nine joint stock companies, and 10 other directly managed organizations were created in the Czechoslovak centrally managed industry. Despite the fact that some large economic units were divided into a

larger number of state enterprises, some of the organizations (52 in all) at the intermediate level of management were converted into state enterprises in an almost unchanged form and converted their enterprises into enterprise subdivisions with delegated authority. The reorganization of industry that was carried out did not bring the expected results, most of all because it did not weaken the monopolistic status of the producers.

Output of Selected Products of Manufacturing Industries

| Product  | Unit of measure | 1989 in % |         |         |       |       |
|--|-----------------|-----------|---------|---------|-------|-------|
|  |                 | 1985      | 1988    | 1989    | 1988  | 1985  |
| Passenger cars and delivery vans                     | unit            | 183,701   | 163,834 | 188,611 | 115.1 | 102.7 |
| Motorcycles, mopeds, etc.                            | unit            | 218,940   | 182,808 | 169,497 | 92.7  | 77.4  |
| Bicycles   | unit            | 786,229   | 735,756 | 684,078 | 93.0  | 87.0  |
| Trucks   | unit            | 47,956    | 50,498  | 50,570  | 100.1 | 105.5 |
| Integrated circuits                                  | Kcs million     | 1,206     | 3,030   | 3,701   | 122.1 | 306.9 |
| Digital computers                                    | unit            | 7,870     | 44,846  | 50,892  | 113.5 | 646.6 |
| Machine tools for metal                              | unit            | 37,246    | 38,438  | 36,644  | 95.3  | 98.4  |
| Forming machines, total                              | Kcs million     | 1,713     | 1,637   | 1,689   | 103.2 | 98.6  |
| Agricultural machinery & equipment incl. spare parts | Kcs million     | 3,800     | 4,238   | 4,111   | 97.0  | 108.2 |
| Wheeled and caterpillar tractors                     | unit            | 38,291    | 37,637  | 38,575  | 102.5 | 100.7 |
| Household washing machines, total                    | thousand units  | 445       | 463     | 454     | 98.1  | 102.0 |
| automatic  | thousand units  | 199       | 208     | 207     | 99.5  | 104.0 |
| Household refrigerators and freezers                 | thousand units  | 480       | 551     | 502     | 91.1  | 104.6 |
| freezers   | thousand units  | 160       | 225     | 235     | 104.4 | 146.9 |
| Television sets, total                               | thousand units  | 432       | 482     | 524     | 108.7 | 121.3 |
| color  | thousand units  | 193       | 336     | 379     | 112.8 | 196.4 |



## Output of Selected Products of Manufacturing Industries (Continued)

| Product  | Unit of measure | 1989 in % |         |         |       |       |
|--|-----------------|-----------|---------|---------|-------|-------|
|  |                 | 1985      | 1988    | 1989    | 1988  | 1985  |
| Furniture                                      | Kcs million     | 10,413    | 11,256  | 11,738  | 104.3 | 112.7 |
| Utility and decorative china                   | Kcs million     | 698       | 704     | 769     | 113.1 | 114.0 |
| Paper and cardboard                            | thousand tons   | 964       | 974     | 1,028   | 105.5 | 106.6 |
| Cotton textiles                                | million meters  | 606       | 591     | 582     | 98.5  | 96.0  |
| Underwear                                      | thousand units  | 63,931    | 53,069  | 52,800  | 99.5  | 82.6  |
| Wearing apparel of woven and nonwoven textiles | thousand units  | 46,540    | 48,827  | 47,625  | 97.5  | 102.3 |
| Hosiery  | thousand pairs  | 186,090   | 193,941 | 197,165 | 101.7 | 106.0 |
| Footwear, total                                | thousand pairs  | 131,410   | 119,088 | 120,289 | 101.0 | 91.5  |
| leather  | thousand pairs  | 57,887    | 55,320  | 55,841  | 100.9 | 96.5  |
| Butcher's meat                                 | thousand tons   | 944       | 995     | 1,005   | 101.0 | 106.5 |
| Pasteurized milk                               | million litres  | 2,061     | 1,784   | 1,755   | 98.4  | 85.2  |
| Dairy milk                                     | thousand tons   | 152       | 148     | 156     | 105.3 | 102.7 |
| Edible vegetable oils                          | thousand tons   | 168       | 186     | 190     | 102.1 | 113.1 |
| Refined sugar                                  | thousand tons   | 969       | 708     | 878     | 124.0 | 90.5  |

Construction enterprises performed construction work in the value of Kcs 92.7 billion, but in a number of instances they did not succeed in completing specific tasks in individual projects.

## Basic Indicators of Construction Enterprises

|                                    | 1988  | 1989  | 1989<br>in Percent<br>of 1988 |
|------------------------------------|-------|-------|-------------------------------|
| Construction work done by:         |       |       |                               |
| own workers in Kcs billion         | 92.1  | 93.7  | 101.7                         |
| Number of workers in thousands     | 527   | 516   | 98.0                          |
| Labor productivity in thousand Kcs | 175   | 181   | 103.8                         |
| Average monthly wage in Kcs        | 3,367 | 3,450 | 102.5                         |

Because the capacity of the centrally managed construction enterprises was dispersed among more than 6,000 construction projects, the excessively long construction times were not adequately shortened, the number of unfinished construction projects did not decline, and the often criticized quality of completed work did not improve. There were serious problems in supply and demand, in utilizing work time, and in many places also with the use of materials.

Of the total construction work, the share of work on construction of housing complexes increased from 19.6 percent in 1988 to 20.9 percent in the past year. Construction enterprises completed 58,800 apartments, that is 4,100 more than in the previous year; to some extent

this was because some apartments were completed last year which should have been completed already in 1988.

The share of total costs for output declined 1.34 percent in comparison with 1988, of that 0.59 percent went for materials. The volume of profit reached Kcs 2.6 billion. The efficiency of capital assets declined further by roughly two percent.

The number of employees in construction enterprises declined, as a result of departures to find better working conditions, by 10,400 people (number of blue collar workers by 7,200 people). Labor productivity grew faster than the average wage, which increased by Kcs 83 (by 2.5 percent).

For a number of years, agriculture—partly also because of the specific conditions of redistribution—has been one of the stabilizing branches of the national economy. Even with the increased limits on imports, it covers the needs of the continually growing consumption of food, and quite satisfactorily as to volume. However, there are problems with the quality of food, selection, and low efficiency of production. To that also contributes, apart from agriculture, the obsolete and inadequate capacity of the food processing industry, inadequate services for agriculture, etc. And we must not also forget the fact that there is a continually diminishing acreage of agricultural land available for agricultural production, while at the same time the natural and ecological conditions for production are worsening. Last year, too, developments took the same course as in previous years.

According to preliminary data, the gross agricultural output increased—including a moderate increase in crop production (0.2 percent)—by 1.1 percent, livestock production was 1.7 percent higher. The grain harvest



reached 12 million tons, with a yield per hectare of 4.86 tons. The level of the 1988 grain harvest as well as the average achieved in the previous five-year period were exceeded. Also better, in comparison with 1988, was the harvest of rape, sugar beet, fruits, and vegetables, in the case of the last three mentioned items the statistics were influenced by the low level achieved in 1988. However, their harvest as well as yield per hectare are in no way commensurate with needs. Whereas the level of per hectare yields of grains and rape in the CSSR is close to the yields achieved in developed Western countries, in the case of other crops the achieved yields are substantially lower. In addition, there continue to be considerable problems with the quality of potatoes and the low sugar content in sugar beets.

In livestock production, because of the good grain harvests but also because of the imported feed, the relatively high utility of farm animals was maintained. The average yield of milk from cows was 3,880.0 liters (in 1988 it was 3,777.1 liters), the production of milk increased despite the decline in the number of cows (by 20,200) to 6,887.6 million liters (that is, 440.4 liters per citizen). In the rate of increase of the milk yield, achieved during the last decade, Czechoslovakia is ahead of the developed countries, in the absolute level of milk yield, however, it lags behind some of them (for example, in 1988 it was behind the FRG by 25 percent).

Egg production, while there was a lower number of chickens and an average yield of 250.8 eggs, increased to 5,627.6 million units, that is, 359.8 per citizen. The utility of animal husbandry basically stagnated, and the higher meat production was achieved by increased number of pigs and poultry.

The quantitative increase of production in state agricultural organizations was accompanied by an increase of costs, particularly material costs. At the same time, the share of total as well as material costs in output was lower than the agricultural enterprises anticipated in their plans. The volume of profit was Kcs 1,315 million lower than in 1988. Food prices continued to be subsidized by the state to a considerable degree; the annual amount of subsidies is roughly Kcs 35 billion.

The number of workers in agriculture has been increasing for the past several years, but the increase was partly due to the developing sidelines which are more profitable and are a key factor in profit making. The comparable wages of workers in the unified agricultural cooperatives increased concurrently with a sharp increase in labor productivity to Kcs 3,559, that is 4.7 percent, which is roughly double the increase of the average wage in the national economy.

At the present time there are 4.6 million hectares of forests on the entire area of the state, that is, 36 percent of the total area of the state. The area of the available forestland is stabilized; during the last five years an annual average of 52,700 hectares were reforested, 53,500 hectares in 1989. A systematic reduction in the

harvesting of timber has been successfully carried on since 1986; in the past year 17,878,000 cubic meters were harvested, of that 40.7 percent was incidental (calamity) harvesting. Soft wood accounted for 76.5 percent of the entire harvest.

A considerable part of the forests, however, has been damaged by pollution. According to the latest data, 57.6 percent of forests in the Czech Republic and 31.6 percent in the Slovak Republic are damaged.

Supply of drinking water to consumers increased according to estimates by 26 million cubic meters to 1,390 million cubic meters in comparison to 1988. The number of citizens supplied with water from public water mains in 1989 reached, according to estimates, 79.5 percent (in 1988 it was 78.7 percent), the number of citizens residing in buildings connected to the public sewage system was 65.0 percent (in 1988 it was 64.3 percent).

The amount of waste water released into rivers and streams (exclusive of cooling water, precipitation, from air conditioners and drainage) represents about 3.5 billion cubic meters annually.

The quality of surface water remained practically unchanged. During the past three years there was a decline in the amount of pollutants discharged into rivers and streams characterized by the volume of biochemical oxygen demand, undissolved substances, and chemical oxygen demand; on the other hand, the pollution by crude oil, crude oil products, and dissolved inorganic salts has been increasing.

The number of accidents to water resources in 1989 was 868, of that 417 involved crude oil (in 1988 there were 784 accidents, 406 involving crude oil).

In the transportation branch, particularly in the case of the Czechoslovak National Railroads and the Czechoslovak Vehicle Transportation, efficiency, as measured by the ratio of profit to cost, has been declining for a long time. The decline in efficiency has been due particularly to the increases in the prices of fuel and spare parts. Contributing to this problem is also the declining efficiency of obsolete capital assets and the considerable amount of repairs connected with it, combined with a stagnant labor productivity. Because of the shortage of workers, spare parts, and repair shop capacities, a considerable number of vehicles are not in operation. More than 20 percent of vehicles are being used longer than the established time of their economic usefulness. Although the transportation intensiveness of the national economy measured by the ratio of transportation output to the national income declined significantly in 1989 (by 5.1 percent), it was still considerably higher than in the economically developed countries elsewhere in the world. Together with the disproportionate consumption of raw and processed materials and energy in the production sphere, the inconvenient territorial distribution of production forces, the high degree of centralization of

the economy and the shortcomings in management also have a negative influence on the demand for transportation.

The overall transport of goods is shared by factory transportation (59.4 percent) and public transportation (Czechoslovak National Railroads 18.4 percent, Czechoslovak Vehicle Transportation 21.3 percent), factory transportation accounts for 10.5 percent of the total output and public transportation for 89.5 percent (Czechoslovak National Railroads 71.4 percent and Czechoslovak Vehicle Transportation 13.1 percent).

Factory highway transport of selected organizations shipped 916.5 million tons of goods, that is 2.6 percent less than last year.

Shipments by Czechoslovak National Railroads declined by 3.9 percent and output by 4.4 percent, which was the result mainly of less demand by transport contractors. The load per railroad freight car declined as well. As a result of the lower interest of foreign transport contractors in the services of the Czechoslovak National Railroads, the foreign currency earnings fell by 8.3 percent and show a longtime tendency toward further decline.

Railroads carried 414 million people. Services provided by the automated reservation system for guaranteeing space in couchette and sleeping cars on domestic routes were broadened. This service is available in 111 railroad stations. The observance of the train schedules of domestic express trains and local (workers') trains improved. Delays at border crossings, particularly with Poland, resulted in a low observance of the flow chart of international express trains (74.3 percent).

Travel by public transportation, in spite of some improvement, still is not at the necessary level. Because of poor technical conditions and shortage of workers, almost one-tenth of all restaurant cars, which are supposed to be available according to the train schedules, has been taken out of service. The more comfortable sleeping cars are being replaced in some instances by couchette cars. At the railway stations services which are common elsewhere in the world are often missing (round the clock refreshment service, porters, information services, well appointed waiting rooms, taxi service).

The shipping of goods by the Czechoslovak Vehicle Transportation declined 3.1 percent. The number of people carried was 2.3 billion, which represents a decline of 0.9 percent. The length of bus routes was extended by 5.7 percent. Direct bus routes to foreign countries were increased, especially to the FRG and Austria. However, some of the routes, particularly workmen's and recreational, were overloaded.

Transportation by ships declined 11.1 percent. The decline was due to unstable shipping conditions, a large number of vessels under repair, and a decline in the exchange of goods in the international trade.

Air transport carried 1.5 million people, including 1.2 million people on international routes. The number of kilometers flown and of people carried did not exceed the level achieved at the end of the seventies. A partial solution to the inadequate renovating of the fleet was the introduction of leased foreign aircraft.

Municipal mass transit was used by 3.2 billion people. The network of trolley bus and tramway routes in particular was extended.

Communications: 151,900 telephones were put into operation, of those 101,700 were in residences. The total number of telephones reached 4,131,700 on 31 December 1989, of those 1,568,200 were in residences. There were 372,000 outstanding applications for the installation of telephones. They are concentrated for the most part in large cities. At present there are 264 telephones per 1,000 population, and that is roughly twice or three times fewer than in the developed countries elsewhere in the world. The use of Express Mail Service increased manifold in international postal contacts, and domestic express mail service was introduced into operation. The service transfer of payment by means checks has been extended to the nationwide postal network. To provide a second television channel, three transmitters were introduced into operation, which increases the territorial coverage to 81.9 percent.

### Capital Investment

A serious source of the disequilibrium in the economy is the continued extensive capital investment. The growth of capital investment costs has for a long time been faster than the improvements in the technical level of completed facilities. Capital investment is oriented mainly toward the producing sphere, specifically to the fuel, energy, and metallurgy branches (last year in the amount of Kcs 23.7 billion).

### Completed Capital Construction Work and Deliveries

|  | 1989<br>in Kcs<br>Billion | 1989<br>in % of<br>1988 | Share<br>in % |
|--|---------------------------|-------------------------|---------------|
| Completed construction work and deliveries for the national economy (without project "Z" and public) | 170.5                     | 102.1                   | 100.0         |
| construction work  | 83.6                      | 102.0                   | 49.0          |
| machinery and equipment  | 86.9                      | 102.2                   | 51.0          |
| of the total:  |                           |                         |               |
| for the production sphere  | 123.1                     | 100.8                   | 72.2          |
| for the nonproducing sphere  | 47.4                      | 105.1                   | 27.8          |

By contrast, the manufacturing industry, particularly the branches which should be improving the availability of choice on the domestic market and the competitiveness

on the foreign markets have received less of the capital investments. The amount of modernization was low, only 16.5 percent. The share of machinery and equipment in total investments was also unsatisfactory, while a considerable portion of the newly obtained machinery and equipment did not meet the necessary technical standards. The share of capital investment for the nonproducing sphere is small and is inadequate for covering the increasing needs of the population, particularly in healthcare, education, and housing construction.

In connection with the government resolution No. 149/1989 and the temporary limits on new construction, the number of newly started construction projects fell from 17,800 in 1988 to 13,000 in the past year, and their budgeted costs from Kcs 82.9 billion to 68.0 billion. But the demand for capital investment did not diminish, it was merely postponed. Toward the end of the fourth quarter of last year, the investors had more than Kcs 150 billion worth of construction projects ready to start, and they were only waiting for the end of the moratorium on capital investment.

The volume of resources, which are lying idle in unfinished construction projects, grew further by 10.2 percent and reached Kcs 173.3 billion. The utility of the capital investment process was low overall. Of the 96 construction projects, specified as mandatory tasks to be finished last year, only 76 were ready to be put into operation, that is, 79.2 percent. Introduced into trial operation were for example: Central Heating Plant Ceske Budejovice—Vrato, a garbage incinerator in Kosice, waste water purification plant in Dolny Kubin and Ceske Budejovice (primary treatment), a department store in Levice, wholesale warehouse Jednota in Ceske Budejovice, an open air school in Balkova, coachwork shops in the Automobile Works, National Enterprise Mlada Boleslav, manufacture of robots in Heavy Machine Tool Enterprises Martin, and manufacture of broad profile radial casings in Otrokovice.

Some facilities failed to be put into operation within the stated time limit, for example: the internal medicine pavilion and anaesthesiology-resuscitation department in Levice, the center for radio broadcasting Western Slovakia, the equipment for higher utilization of crude oil in Bratislava, the capacities in Autobrzdy Jablonec, and the modernization of the Hloubetin factory of the enterprise ZEZ Prague.

#### Foreign Trade

The integration of Czechoslovakia into the international division of labor, as measured by the turnover in foreign trade per single citizen, is low. It attains values many times higher in Austria and countries of similar size in Western Europe (for example, compared to our \$3,031 in 1988, it was \$8,907 in Austria, \$18,014 in Belgium including Luxembourg, \$8,601 in Finland).

In 1989 the dynamics of turnover increased in relation to nonsocialist countries and declined in relation to socialist countries. The efficiency of the exchange of

goods measured by the exchange ratio improved, cooperation with foreign firms began to develop more broadly, and other new joint ventures with foreign capital were established.

The turnover in foreign trade increased 2.1 percent, with socialist countries it dropped 2.2 percent and increased 9.8 percent with nonsocialist countries.

In the total foreign trade turnover the share of socialist countries was 61.6 percent, of developed capitalist countries 31.1 percent which includes 18 percent for the EEC countries, and of developing countries 7.3 percent. The high share of socialist countries in Czechoslovak foreign trade is the consequence of a longtime orientation of our economy toward those countries.

#### Developments in Foreign Trade Turnover<sup>1</sup>

|                             | 1989 in % of 1988 |
|-----------------------------|-------------------|
| <b>Total export</b>         | 101.7             |
| to socialist countries      | 95.3              |
| to nonsocialist countries   | 113.6             |
| <b>Total import</b>         | 102.5             |
| to from socialist countries | 100.4             |
| from nonsocialist countries | 106.1             |

1. f.o.b. border of supplying country, territorial point of view, current prices.

Within the structure of export to socialist countries, more than half was production of the machine tool and electrotechnical industries. Fuels, raw and basic materials dominated in the structure of imports, their share in the value of imports represented 50 percent. The share of socialist countries of the Czechoslovak export of machinery and equipment was 82 percent (the USSR more than 43 percent), and their share was two-thirds of the import of fuels, raw and basic materials (the USSR more than half).

An entirely different export and import situation existed in relation to developed industrial countries with market economies. The export items were raw materials, semi-finished goods and consumer goods; in 1989 there was also a marked increase in the export of food. The share of machine tool production reached 12.9 percent and increased moderately. Nevertheless, the competitiveness of our machine tools on demanding markets remains low. In imports, machinery, and equipment were the key items at 48.7 percent.

Trade with developing countries was extremely uneven, and is still based on the obsolete model of exchanging machinery for raw materials. Machinery and equipment comprised 58.5 percent of exports, raw materials 68.5 percent of imports. The sale of machinery and equipment was made possible to a considerable degree by granting long-term credits.

The reason for the high amount of imported raw materials was their excessive consumption in manufacturing:

imports of natural substances predominated. Production destined for use in manufacturing amounted to 70 percent of total imports, which reflects the orientation of the Czechoslovak economy toward primary processing of raw materials.

The efficiency of foreign trade transactions improved. According to preliminary data, export prices in trade with socialist countries rose one percent while import prices declined three percent, the exchange ratio increased by 4.1 points. The import prices of crude oil and natural gas in particular declined. In relation to nonsocialist countries, the export prices rose five percent and import prices 2.5 percent, the exchange ratio increased by 2.4 points. The favorable development of export prices was influenced by the boom in the sale and prices of metallurgical material, soft wood lumber, cellulose, chemical products, malt, hops, sugar, and some engineering products (for example, passenger cars and tractors).

The balance of trade with socialist countries was passive in the amount of Kcs 3.8 billion, in relation to the USSR assets reached Kcs 2.3 billion. However, export to those countries was declining more slowly than was anticipated by the plan and the import of needed items was not increasing sufficiently. It was therefore not possible to use the planned amount of assets created in those countries in previous years.

In relation to nonsocialist countries, there was a favorable balance in the amount of Kcs 0.9 billion f.o.b., in relation to developed countries with market economies there was a deficit of Kcs 0.6 billion f.o.b. The profit sharing by organizations in the foreign exchange earnings in the area of convertible currencies, which increased by 11.1 percent over 1988, proved favorable. Hard to utilize claims with an overdue date for repayment continue to grow, particularly in relation to developing countries. In the past 11 months, the claims of foreign trade organizations with an overdue date for repayment grew by Kcs 1.2 billion, and reached Kcs 8.3 billion. Similar tendencies continued also in government credits, where at the end of September the amount of overdue claims was Kcs 17.4 billion. These are overwhelmingly claims from previous years which arose for noneconomic reasons, and thus far there has been no success in reducing them. Of the difficult to collect claims abroad from government and enterprise credits only Kcs 1.1 billion has been redeemed by the end of September.

The currency and time imbalance between Czechoslovak assets and debits continued to deepen. The gross indebtedness was Kcs 108 billion, which in 11 months grew by Kcs 2.7 billion.

As is evident, the economic results of the past year have not deviated from the tendencies of previous years. They do not change the slow rate of economic growth nor do they contribute in any significant way to an increased

efficiency of the replacement process and its equilibrium. There is nothing surprising in that. Similarly as before, they were based on the narrow framework of the economic mechanism which has been in force until now. Its shortcomings are having an impact on this year as well. In 1989, however, basic prerequisites for resolving them were successfully put into place—changing social conditions for the transition to a market economy.

#### **Czech Statistical Office Report on Social and Economic Development in the Czech Republic in 1989**

Toward the end of last year significant changes took place in our society which created conditions for ending the era of command management of our economy. It is obvious that during such a short time these changes could not influence the overall results attained last year. The Statistical Office, too, could not in that short a time change the method of gathering statistics which was directed mainly at comparing actual economic results with those planned, often without regard to objective needs. Nevertheless, the Statistical Office has available a lot of information which it can present in its report.

The economic and social development in the Czech Republic did not differ from the developmental trends of the past two or three years, and the rate of economic growth slowed down. This slowing down of the economic growth rate was caused, besides the low standards of the economic mechanism, also by the inadequate restructuring of the organizational structures of the production factors, which did not remove the high degree of monopolization. By a gradual departure from the method of a central unit of management in industries on the soil of the Czech Republic, 131 unified agricultural cooperatives and directly managed organizations with an average of 15,379 workers were transformed between 1987 and the end of 1989 into 524 state enterprises with an average of 3,812 employees. At the same time, the average number of employees in a state enterprise was 5,358 in a federally managed industry, and 2,612 in industry managed by the government of the Czech Republic. Thus the obsolete structures were basically retained, and production continued to be highly intensive in labor, raw materials, and energy. The monopolistic status of most producers enabled them to maintain the low technical level and inadequate quality of their products. The imbalance in supply and demand intensified, which also affected supplies to the domestic market. Structural changes in industrial production were slow, in particular no success was achieved in reducing the energy and material intensive metallurgical production (index 100.0) and the production of building materials (101.3). On the other hand, the development of the electronic industry was inadequate (102.7).

There was no improvement in satisfying the needs of the public in the past year, the imbalance between needs and creation of resources persisted. The use of certain items grew faster than the creation of resources. Among them were incomes and expenditures of the population.



Income (nominal) increased 3.3 percent, but its dynamics declined in comparison with 1988. Income from wages grew by 2.6 percent and was influenced by the growth of average earnings. An average wage in the state and cooperative sector of the national economy (exclusive of the unified agricultural cooperatives) reached Kcs 3,255 and was 2.4 percent higher than in 1988. The dynamics of agricultural income slowed down moderately. This was due in a decisive degree to the growth of income from sales of agricultural products as a result of increased free sales by individual citizens of their own agricultural products.

Income from social benefits increased by 5.6 percent and the acceleration of their rate of increase was due mainly to the adjustment of pensions enacted on 1 October 1988. The highest dynamics were evident in the payments of health benefits, which reflected, besides the influenza epidemic in the first quarter (the February percentage of those unable to work was the highest at 6.90 percent since 1970), also the lack of improvement in the health of the population. Support payments for nursing a sick family member also increased significantly. The slower rate of increase of other income was due to a marked decline in loans granted by the Czech Savings Bank to the public.

A statistical survey of household income in 1988 was undertaken last year, the so-called microcensus. According to the results of this survey, the nominal household income of all social groups increased, and averaged Kcs 1,850 a month per person (an increase of 8.3 percent in comparison with 1985). Another shift of households into higher income brackets took place, so that the share of households with low income up to Kcs 1,000 a month per person declined since 1985 from 7.9 percent to 4.5 percent, the share of households with income of Kcs 1,001 to 1,400 a month per person declined by a fifth (to 20.7 percent). On the other hand, the number of households in income brackets over Kcs 1,800 increased, particularly of those with an income over Kcs 3,000 (from 6.5 percent in 1985 to 10.0 percent in 1988).

Of 174,000 households with income of less than Kcs 1,000 per person, 75,000 were households of economically active people, mainly with two or more children and wife staying at home, but also of incomplete families, and 91,000 households of retirees without working family members (mainly married couples with the minimum pension of Kcs 1,700 or households of retirees with dependent children).

Realized expenditures of the population grew by 3.4 percent, that is faster than income, which was evident in the decline of the rate of savings from 3.40 percent in 1988 to 3.24 percent. Total savings accounts came to Kcs 185.7 billion at the end of the year, and the average amount of per capita savings account was Kcs 18,111. The share of long-term time deposits increased by 0.9 points in comparison with 1988 and reached 62.7 percent.

The expenditures of the population for retail purchases increased 3.4 percent in contrast to 1988, during the

course of the year, however, the rate of expenditures was slowing down. The tendency toward higher realization of income through purchases of goods also continued. Retail turnover of all systems increased by 3.6 percent, with the turnover of industrial goods being 5.6 percent higher and of food 1.2 percent higher. Contributing to the increase of deliveries to the domestic markets and of retail turnover was also the increase in prices, which was the result, among other things, of the efforts of producers to produce goods in a higher price range. During the course of 1989, for example, average retail prices of fresh vegetables, fruit and vegetable products, color television sets, cosmetics, and bicycles increased more than five percent. Average retail prices of, for example, kitchen utensils, glass and china, radio receivers, books, gold items, and passenger cars increased more than 10 percent. Of the increase in the retail turnover of industrial goods due to the increase of average prices, more than 40 percent was the result of increases of the average price of passenger cars, in the amount of Kcs 1.2 billion, while the number of sold cars declined by almost 2,000.

A relatively good situation in the sale of food was a stabilizing factor in the domestic market. The supply of basic foods proceeded without major fluctuations, even though there were some local shortages in the selection of foods. Problems with inadequate selection of meat and meat products, wanted kinds of cheese, and frozen products persisted. There were shortages of mineral waters, fish fillets, but also of some kinds of fruit, vegetables, herbs, and spices. The quality of food products remained a serious problem.

Much more serious problems existed in the supply of industrial goods to the domestic market. A number of products remained permanently in short supply in spite of increasing deliveries, particularly those of domestic manufacture (for example, passenger cars, active footwear, furniture, color television sets, videos, personal computers, and some building supplies). However, enterprises delivered fewer of some kinds of products than in the previous year (for example, purchases of some fabrics, freezers and refrigerators, and watches declined by more than 10 percent). Because of unprofitability, the production of some goods in short supply, for example, boilers Brutar, sawdust furnaces, fruit presses and many others, was discontinued without compensating for them, and many others are under serious consideration. Import of consumer goods (exclusive of passenger cars) including barter trade, increased only 1.6 percent. Measures taken to increase the import of consumer goods did not have the necessary effect. For example, the import of ocean fish, dried fruit, wine, underwear, leather and fabric footwear, fancy leather goods, furniture, glass and china, videos, radio receivers, television sets, cosmetics and hygienic products, and sporting goods was increased. There was less import of industrial goods such as, for example, sewing machines, watches, knit apparel, hosiery products, refrigerators and freezers, personal computers, and cigarettes.

In the preceding section on meeting the needs of the public, current prices were used. To determine the real



development it would be necessary to consider the growth of the index of living expenses and the index of retail prices. The construction of these indexes, however, was influenced by the previous period and does not fully describe the price increases.

Expenditures for paid services increased only by 1.8 percent. There was inadequate availability of services provided by enterprises of local production and services and by production cooperatives. Their receipts from the public grew only 3.0 percent; in the enterprises of local production and services 1.5 percent and in the production cooperatives 5.2 percent. The poor quality of services, long waiting periods, and increasingly difficult accessibility in some localities persisted. In this can be seen the influence of the obsolete material-technological base, but also the inadequacies in supply and demand, which caused shortages of materials and spare parts. For example, there was a lack of spare parts for repairing articles of consumption, lumber and foam rubber for making furniture, coating compositions for manufacture and repairs, and a number of materials for construction work. In the enterprises of local production and services worked more than 162,000 employees, whose average wage was Kcs 2,942 (index 103.7). In the production cooperatives worked more than 123,000 employees whose average wage was Kcs 2,908 (index 103.6). Although the range of activities of the small national committee shops increased markedly, as did the range of services provided by citizens on the basis of national committee permits, their economic importance has been so far negligible.

The dynamics of housing construction declined in the past several years. Although last year the number of completed apartments increased 10.6 percent over 1988, the fulfillment of the plan fell short 5,224 apartments. The greatest number of apartments that were not completed according to plan were in the capital city of Prague. Built are mostly apartments in prefabricated houses with a smaller living area for each apartment, costing more in cement and construction steel, requiring more energy to heat. The limited availability of apartments persists, mainly for young married couples.

The modernization of the housing stock progressed very slowly; the plan was fulfilled only to 58.5 percent, and 679 fewer apartments than in 1988 were modernized. Altogether 3,777 apartments were modernized, most of them in the Eastern Bohemia and Northern Bohemia regions. Problems persisted also in the public facilities of the comprehensive housing construction, where 90.7 percent of the planned capital construction work was completed.

In the past year, there was no significant turnaround in the unfavorable condition of the basic components of the environment either. Toward the end of the year measuring instruments for monitoring the condition of the air, accessible to the public, were installed in some of the most affected places, and immediate regulatory measures were taken based on the results of the measuring of sulfur oxides and nitrogen oxides. According to the statistical survey on the use of secondary raw materials,

which was concluded on 31 December 1987 and results published in 1989, the production of toxic waste in the economy of the Czech Republic reached almost 15 million tons. The prognosis then showed that the volume of toxic waste will be increasing until 1990. The disposal of these toxic wastes often had a detrimental impact on the environment. In that way 470,000 tons of waste water with inorganic alkali, 220,000 tons of washing water, and 210,000 tons of other waste solutions were released into the sewer system. Released directly into streams were 277,000 tons of waste water containing inorganic alkali, acids, salts, and organic matter. Released directly into the air (without the use of a filtering system) were 900,000 tons of waste nitrogen, 590,000 tons of sulfur oxide, and 126,000 tons of mixtures of waste gasses.

The unfavorable environmental conditions were evident in the worsening health of the population and increasing economic losses. The extent of capital investments for the protection of the environment determined by the plan was inadequate, and even that low volume went mostly unrealized. In 1989 in the Czech Republic Kcs 3.3 billion was invested in ecological projects, that is 3.0 percent of the total capital investments. Also some capacities, aimed at improving the environment, in constructions undertaken within the framework of the mandatory tasks of the state plan were put into operation. Among them are, for instance, dedusting of boilers in the New Metallurgical Works of Klement Gottwald Kuncice, reconstruction of separators in the Klement Gottwald Iron Works in Ostrava, primary treatment in the waste water purification plant in Ceske Budejovice, the waste water purification plant in Modrice u Brna, and the garbage incinerator in Brno.

Conditions in health care last year were not good and the the situation was getting worse as a result of the shortages of diagnostic instruments, medicines and health care products. There was also a continuing shortage of lower health care personnel and mid-level health care personnel. In health care establishments the number of beds declined 0.3 percent in comparison with 1988, so that 138,00 beds were available, of these 84,700 in hospitals. 65,800 children were placed in nurseries and micro-nurseries.

In the 1989/90 school year, 1,236,800 children are attending primary school, there are 100,500 daytime students in high schools, and 158,900 daytime students in secondary technical schools. The curriculum had a statistical character. The greatest problems were concentrated in the organization and management of secondary vocational training institutions in which 310,200 students are being prepared for blue collar jobs. In institutions of higher learning 113,000 students are being prepared in all forms of studies. In addition 437 students are studying in divinity schools in all forms of studies. The number of students remained practically unchanged in comparison with last year. In the entire educational system there no program has not been devised for the

gifted and talented, and the teaching of esthetics and physical education were inadequate.

Following two years of small improvements, the demographic development in 1989 returned to its long-lasting unfavorable trends. There were 128,200 live births, which was 4,500 fewer than in 1988 and the smallest number in the entire history of the Czech Republic. On the other hand, 127,000 people died, that is 1,300 more than in 1988. Thus the natural increase declined substantially to a mere 1,200 people (in 1988 almost 7,000). The increase by migration also declined from 2,500 to 1,600 people. The marriage and divorce rates remained basically at the level of previous years. There were 81,000 marriages entered into and 31,300 marriages ended in divorce. Toward the end of 1989 the population of the Czech Republic stood at 10,363,300, of which 51.4 percent were women.

In the centrally managed industry on the territory of the Czech Republic, the growth rate of gross production slowed down in comparison with 1988, and the average daily production increased only 1.8 percent. Some structural changes partly contributed to the slower rate, they did not, however, attain the necessary pace. The share of material intensive production (heavy machinery and chemical industry) and the power industry moderately declined. The electrotechnical industry developed slowly, its rate of growth declined by 3.5 points in comparison to the previous year. Industrial enterprises managed by the government of the Czech Republic provided 51.4 percent of the increase in material resources; production increased especially in the glass, china and ceramics industries, the wood processing industry of the Ministry of Fuels, the clothing industry, and the healthcare industry of the Ministry of Health and Social Affairs. Production achieved by increased manufacture of goods was directed mainly to the domestic market and for export to nonsocialist countries (the differentiation of countries as socialist and nonsocialist is according to the method used in 1989), which grew the fastest (in wholesale prices by 7.4 percent, f.o.b. by 11.4 percent). The valuation of production delivered for export increased by 3.60 points. This was above all the result of the favorable development of prices in foreign markets rather than the result of the favorable development of our exports, the overwhelming part of which comprises products at a lower level of processing of primary raw materials and semifinished goods, and with a low R&D input. The valuation of food production of the food processing industry managed by the Ministry of Agriculture and Food was particularly low.

Deliveries for export to socialist countries declined 5.0 percent in wholesale prices and 3.1 in f.o.b. prices; the reduction in the volume of deliveries was the aim of last year's plan.

Deliveries for the domestic market increased 4.5 percent in wholesale prices and 5.1 percent in retail prices, and had higher dynamics than in 1988. But the shortages which persisted in the domestic market could not be

covered up. A number of industrial products remain in short supply, because the structure of produced goods does not correspond to demand.

Material and overall costs fell in comparison with 1988 and the dynamics of profit formation accelerated. The results of the comprehensive restructuring of wholesale and retail prices made it possible for many enterprises to realize a higher degree of profit than their plan anticipated. The higher formation of their own resources made it possible to finance the operational and investment needs of the enterprises. Their rate of insolvency also declined. However, the unfavorable growth of inventories continued; in the Czech Republic they increased 1.4 percent compared with 1988, and declined only in the Federal Ministry of Fuels and Power by 20.3 percent. The total value of inventories in the CR industry was Kcs 200.5 billion toward the end of the year. In the entire CR national economy the volume of inventories was higher than the national income created for the year.

In the industries on the territory of the Czech Republic there were 1,001,000 employees, that was 15,700 fewer than in 1988. The average wage increased by 2.2 percent to Kcs 3,399.

The dynamics of construction work by construction enterprises located in the Czech Republic accelerated moderately in comparison with previous years. Despite the fact that the construction industry exceeded their planned tasks in the basic volume indicators, the increase of unfinished construction projects continued and many substantive tasks on individual building projects were not completed.

The total volume of construction work according to delivery contracts was 3.0 percent higher than in the previous year. Within the framework of capital construction work, whose volume increased 2.3 percent, the volume of work on the comprehensive housing construction and mandatory construction projects increased, and the volume of work on other capital construction declined. Work on the comprehensive housing construction increased also in individual components: on apartment construction 14.3 percent and on public utilities 6.4 percent. As far as public facilities are concerned, it continued to lag behind and fell short of the planned volume of work by 1.0 percent.

The volume of construction work on repairs increased 4.4 percent, while work on repairs on the housing stock increased 5.1 percent and on repairs of public buildings 6.7 percent. The relatively high increase in the modernization of apartments (7.6 percent) was inadequate with respect to the plan, falling short by 14.6 percent.

There were 308,000 workers and employees on the average working in construction enterprises last year. Their number was lower by 3,650 people than in the previous year, when particularly laborers on construction sites left (decline of 2,440 people). The average wage reached Kcs 3,491, increasing by 2.4 percent over the previous years.

Agriculture achieved relatively good results. Gross agricultural production increased 1.1 percent in comparison to 1988, crop production 0.9 percent and livestock production 1.3 percent. The harvest of 7,793,000 tons of grain was 261,000 tons higher than in 1988. The average yield per hectare, 4.69 tons, was the third highest since 1945. There were problems with deliveries of alimentary wheat and malt barley, the purchases of rye increased. The harvest of winter rape was large. As a result of the appearance of potato mold and lack of moisture, the total potato harvest was 345,000 tons lower than in 1988, and their poor quality of previous years has not improved. The harvest of sugar beet increased in comparison with 1988 by 783,000 tons, although as a result of larger harvested areas. The yield and the sugar content remained at a low level.

The utility of farm animals increased, except for the number of raised calves. The average annual milk yield (3,982 liters) increased 3.5 percent, and milk production increased 2.7 percent while the number of cows declined. The average egg yield per hen reached 252 eggs, and the total egg production was 3,643 million pieces. The average daily weight gain of cattle being fed (0.77 kg) increased by 0.02 kg and of pigs being fed (0.63 kg) remained at last year's level. The consumption of mash per unit of production decreased, but increased for the feeding of pigs, broilers, and other poultry, mainly because of inadequate availability of quality feed.

Agriculture was able to keep up with the growing consumption of food. Some of the production was even exported. Problems appeared in the quality of the food and the selection delivered to the domestic market.

The results of the forest and water management branches are more and more influenced by the effects of outside negative factors. These are, above all, the polluting emissions which have damaged a total of 57.6 percent of forests; the extent of the damage is still increasing. Last year, state forest enterprises directed by the Ministry of Forestry and Water Management harvested in forests under direct management a total of 10,897,000 cubic meters of timber, of that 4,333,000 cubic meters were from disaster harvests, which represents 39.8 percent of the total harvest. The overall harvest declined 2.8 percent and the disaster harvest of timber 13.8 percent. The deliveries of timber by enterprises of the Ministry of Forestry and Water Management including technical forest management and their own consumption reached 11,487,000 cubic meters and declined 1.9 percent in comparison with 1988.

Water management organizations controlled by national committees produced 1,233 million cubic meters of drinking water and its deliveries to direct consumers reached 917 million cubic meters, that is, 2.1 percent more than in 1988. Supplies of drinking water for households increased 2.6 percent. Of the total amount of 845 million cubic meters of waste water, 74.1 percent was purified, that is 1.5 point more than in the previous

year. Nevertheless, the problem of inadequate construction of water treatment plants continues. The quality of surface water is mostly affected by the untreated municipal waste water, surface pollution and accidental pollution of streams, of which there were 654 during the year, 315 of them by crude oil. According to estimates, the standard for water purity is not met by 65 percent of produced drinking water.

In transportation, activities declined in 1989 in comparison with the previous year. Although the results in transportation were to some extent influenced by the declared moratorium on construction work, it was mainly the railroad and river freight transport that declined. In addition to the lower shipments of goods from abroad, the railroad freight load of all key types of goods decreased semi-annually, most markedly of solid fuels, and the overall freight load was 3.8 percent lower. The length of the haul of the railroad freight cars was at the same time somewhat shortened.

The situation in the freight transport by the Czechoslovak Vehicle Transportation was also influenced by the changed composition of requirements of transport contractors, or by the operational shipping possibilities of individual enterprises. The transport of goods was 2.2 percent lower than in 1988, but because of the longer average distances the output in thousand km increased 1.0 percent. The overall unprofitability of the public transport as a whole was caused, among other things, by the adjustment of prices of diesel fuel on 1 July 1989. The volume of the shipment of goods by factory transport facilities declined by 4.1 percent. Last year's lifting of restrictions on the consumption of fuels did not show up in the results of factory vehicle transport in any significant way.

Shipment of goods by the river transport of the Czechoslovak Elbe-Oder Navigation Lines, which in view of the relative consumption of fuel and costs is the most efficient, declined semi-annually by 10.8 percent as a result of worsened navigability of waterways during the summer months and an inadequate balance in the goods offered for shipping. Shipping of coal for power production to Chvaletice was, however, somewhat higher than in 1988.

In 1989 in the Czech Republic, Kcs 111.6 billion (exclusive of project "Z" and private investments by the public) was spent on capital investment and in comparison with the previous year the extent of capital investment increased by Kcs 2.9 billion (2.7 percent). Capital investment for agriculture in particular represented a considerable part of the volume, but on the other hand a slow growth of the manufacturing industries and the majority of nonproducing branches persists.

The production base and the structure of industries in the Czech Republic has been quite obsolete for a long time and that is reflected also in the production of low quality goods which are unable to compete on foreign markets. Therefore it can be considered an unfavorable

feature of capital investment in 1989 that the share of the active component of capital investment in industry, that is, deliveries of machinery and equipment in the total capital investments declined (65.4 percent in 1989 against 68.7 percent in 1988).

One of the factors that limit the growth of the national economy is cutting back on the excessive number of constructions in progress. With this goal in mind, the CSSR Government decided in 1989 to temporarily limit building starts. The budgeted costs of constructions begun in 1989 was Kcs 44.4 billion, and were Kcs 8.7 billion lower than the previous year. The balance of the budgeted costs of unfinished constructions declined by Kcs 21.5 billion, that is 13.1 percent. Although extraordinary emphasis was placed on speedy completion of capital investment projects, the time for turning over capacities for trial operation was not met in seven out of 60 planned mandatory construction projects. Among them are, for example, the expanding of the factory in Sigma Ceska Trebova, manufacture of parts for the Favorit in Autobrzdy Jablonec, and the management section of the faculty hospital in Prague 5.

#### **Slovak Statistical Office Report on the Social and Economic Developments in the Slovak Republic in 1989**

The year 1989, the last year of the command-allocation centralized economic system, had all the earmarks of the entire decade of 1980-89, which can be described as an era of stagnation and in many respects even decline.

The developments during the decade of 1980-89, and particularly during 1989, actually represent a natural climax of the development of the Czechoslovak and Slovak economy for the past 40 years. During this long period, the economic policy was becoming ever more subject to the interests of one political party, and was directed by its apparat. By its orientation mainly toward quantitative increases of individual elements of the replacement process, it ceased to serve the qualitative development of individuals and the whole society. The dynamics of qualitative changes not only in production but in the way of life, in satisfying the needs of the population, and in developing needs, always lagged markedly behind the dynamics of volume. In place of end results, the unproductive turns in the economy increased and the distortions in the structure of final consumption deepened. Toward the end of the eighties many of the problems appeared even more pronounced than at the beginning of the eighties.

Despite the longlasting quantitative growth of the production-technological potential of Slovakia, the production structure did not develop in accord with the requirements of a modern, productive economy aimed at high efficiency, and for an optimal utilization of resources and factors which the economy has at its disposal.

The stagnation and the worsening of some indicators in the last year can be seen also in comparison with the year 1988.

In 1989, the economy of the Slovak Republic was marked by an unbalanced inner structure, a character of being complementary to the Czech economy, a low level of functional interlinkage of its basic elements, and further increase of material inputs into its economic circuit. The development of the Slovak economy can be characterized mainly by a disequilibrium in the domestic market, in foreign trade and in the capital investment process, by a slowing down of the creation of national income and its consumption, by a decline in the formation of profits in organizations located in the Slovak Republic and a deficit in the state budget of the republic. Measures aimed at strengthening the deliveries to the domestic market, at a partial change in the territorial direction of exports, reduction of the number of unfinished construction projects, and strengthening housing and ecological construction, were basically ineffective. Similarly ineffective were also the partial measures of a confused and inconsistent reform.

The growth of the produced national income by roughly three percent was achieved at a time of stagnating industrial production, insubstantial increase of construction and agricultural production, and a relative decline of consumption in manufacturing. Offsetting a good grain harvest was a lower harvest of potatoes and sugar beets, which had an effect mainly on the domestic market where it became necessary to take special measures to ensure supply. However, an increase in livestock animal production made possible a generally continuous supply to meet the demand for some basic foods.

The input of R&D results into practice was not commensurate with the requirements of a modern economy, which was manifested especially in the unsatisfactory results in introducing new technologies, innovations, and better quality of production.

The increase in the volume of capital investment work and deliveries was achieved when there were considerable deviations from the needed material and branch structure, and it did not have a sufficient impact on the completion of construction projects and on putting capacities into operation, on fulfilling the tasks of the restructuring and modernization. Although a greater volume of building and deliveries was realized in ecological construction projects and comprehensive housing construction than in previous years, the tasks of completing the ecological construction and the apartments were not fulfilled. Also, the quality of the completed apartments is very low, because in 1989 almost 40 percent of the apartments did not pass inspection.

A similarly strained situation exists in environmental protection, where the necessary improvement in quality has not been achieved. Waste disposal is also a serious problem, particularly in the capital of Slovakia, Bratislava.

In financial management, the volume of output and adjusted value added did increase, but the goal of reducing the cost intensiveness of the production process



was not achieved. The volume of profit on the balance sheet in the organizations under the purview of the SR government increased in comparison with 1988, on which the returns from foreign trade had a positive impact. The unsatisfactory growth of inventories continued.

Last year the relatively fast growth of income and expenditures of the population continued and in connection with that also the growth of retail turnover, but the increase in retail prices led to an increase in the cost of living. Consumer demand for many kinds of goods, mainly nonfood, was not met. The necessary increase in paid services was not provided. In the public services branches the volume of used resources increased but the goals of broadening their material-technological base were not achieved. In 1989, the demographic development was again very unfavorable; the number of births declined and mortality increased; the average life expectancy in the Slovak Republic is one of the lowest in Europe.

#### Standard of Living

Because of the discrepancies between the needs of the population and created resources, there was no improvement in the individual sectors of the standard of living.

The number of employees in the economy of the Slovak Republic increased in comparison with 1988 by 19,000 and reached 2,517,000. Developments in the rate of employment were influenced by the declining number of working retirees and by the departure of a part of the population in the productive age to engage in individual work activities.

The nominal income of the population reached Kcs 151.3 billion. That is 3.4 percent more than in the previous year. The fastest growth was in income from social benefits, income from the sale of agricultural products by small breeders and gardeners, and income from wages. As a consequence of regulatory measures, newly granted loans from the Slovak State Savings Bank declined. According to a statistical survey (microcensus) of individual social groups of households, the highest income per household member went to cooperative farmers. On the other hand, a low income per member was registered in households with a higher number of dependent children and nonworking retirees.

Real income increased by 2.1 percent (per citizen of the Slovak Republic 1.6 percent). With regard to the current hidden inflation, which is not fully reflected in the index of living expenses, it can be assumed that real income stagnated.

The average nominal monthly wage for a fulltime employee reached Kcs 3,141 and in comparison with 1988 increased by Kcs 79, that is, 2.6 percent.

Expenditures of the population for goods, paid services, and financial obligations increased by 3.6 percent to Kcs 144.8 billion. The structure of expenditures is characterized above all by high expenditures for food.

The amount of deposits on deposit books and general and savings accounts was Kcs 90 billion at the end of December. The average amount of per capita deposit increased and reached Kcs 17,057, which in combination with the citizens' ready cash represents a considerable buying power potential of the population.

Retail trade turnover (in current prices) increased in comparison with 1988 by 3.9 percent, which exceeded plans by Kcs 2 billion. There were persistent problems with meeting the demand for many kinds of goods, and the required utility of the offered goods was not achieved. The overall imbalance in the range of goods was also intensified by purchases by foreign tourists.

The level of retail prices of goods and services increased in comparison with the previous year altogether by 1.3 percent. At the same time prices of food remained practically unchanged (increase of 0.1 percent as a result of seasonal prices of potatoes, fruits from the moderate zone, and vegetables, as well as of partial central adjustments of prices of some kinds of fruit salads and frozen fruits in short supply).

The prices of industrial goods (increase of 2.5 percent) were influenced by the two-way central adjustment enacted on 1 and 31 July 1989. Increased were prices of diesel fuel and heating oil, industrial fertilizers, veneers, plywood, wood flooring, and utility china. Reduced were prices of woolen and synthetic fibre knitwear, warm-up suits, tape recorder cassettes, and other products. Changes in the range of goods continued, with higher-priced products being given preference, which was reflected in the level of the retail price index particularly of textile goods, footwear, fancy leather goods, furniture, and most of all passenger cars.

The increase in retail prices was reflected in the increase of the cos. of living in households of blue and white collar workers and cooperative farmers by 1.4 percent and retirees by 0.9 percent.

Among food products, there was an increase in the sale of fish products, cheeses, longkeeping baked goods, meat and meat products, fruit, fruit and vegetable products, nonalcoholic beverages, and coffee. In comparison with the average of the previous year, there was a marked increase in the sale of flour and a marked decline in the sale of milk products when there were inadequate supplies to satisfy demand for this range of products. The decline in the sale of eggs continued, which was consistent with the principles of sensible nutrition. Shortages of wanted meat products, black bread, some fruits, and other minor products continued.

The consumption of meat in the Slovak Republic reached 82 kg, in the CSSR 91 kg, and was the highest up to this time. In comparison with developed capitalist countries we consume less. There was also an increase in the consumption of grain products and fruit. Consumption of alcoholic beverages declined to 9.5 liters (in value of 100 percent pure alcohol), which is the lowest consumption since 1971.

Among the industrial goods there was a continued high interest especially in the engineering consumer goods and consumer electronics. That showed up also in the above average increase in the sale of those products, while demand continued to exceed supply. The sales of passenger cars in Mototechna were 661 units lower than in 1988. There was a sharp increase in the sale of silk and wool fabrics and plastic footwear (in lower price ranges). In contrast with the average of previous years, the sales of personal linens (especially knitted) and bed linens markedly increased.

Households became better equipped with durable goods. For 100 households there were 138 washing machines, of that 33 automatic, 118 refrigerators and freezers (18), 123 television sets, 37 of them color sets, and 45 passenger cars; the greater number of these items being among the white collar social group. There were 30 garages for each 100 households, and up to 43 garages for household of members of cooperatives.

Tourism grew dynamically. Significantly more Slovak citizens traveled abroad than in the previous year, mostly on one-day visits. The greatest number of our citizens visited the Republic of Hungary, the Polish People's Republic, the GDR, and Austria (mainly in December 1989). Since the end of November last year, the number of visitors from nonsocialist countries increased by 17 percent. The greatest number of visitors came here from Austria and the GDR. The average length of stay of foreign visitors here was 4.1 days. Of the total number 37 percent were one-day visitors. There was also a considerable increase in visitors from the socialist countries, most of them coming from Poland, Hungary, Yugoslavia, and the USSR.

The one-day visits were made mostly for the purpose of buying, or selling, which had a disruptive effect on the level of supplies for residents of the localities in question.

Enterprises of local production and services and production cooperatives, while increasing in a relatively dynamic way the volume of their production and deliveries for the domestic market and export to nonsocialist countries, increased their earnings from the public for paid service only by 0.8 percent. That attests to the permanently low offer of services to the public in both structure and quality.

And although the social and material conditions for public and personal entrepreneurship still have not been created to the necessary degree, there was increased activity in issuing permits to provide individual services and to establish small cooperatives, especially during the second half of last year. By 31 December 1989 there were 29 small independent cooperatives registered which did not belong to the Slovak Union of Production Cooperatives. The number of permits issued by the national committees to citizens for providing services and selling goods more than doubled during the course of the year to 21,548.

Expenditures for social benefits (pensions, health insurance) were influenced by demographic developments and were

based on the legal norms in force. The total expenditure for them was Kcs 29.6 billion, 5.3 percent more than in 1988. Expenditures for pensions rose more than seven percent; that was mainly as a result of the increase in pensions since October 1988. The average amount of a worker's full old age pension increased 2.4 percent to Kcs 1,519 and a cooperative farmer's 2.8 percent to Kcs 1,223. Almost one-third of the retirees drawing old age pensions make use of the possibility of further employment. About 12,500 people continue working after becoming eligible for old age pension.

Places in social welfare facilities increased by 801, so that by 31 December 1989 there were 22,383, of these 8,834 were in pensioners' homes and 2,483 in pensioners' boarding houses.

Expenditures for medical insurance (sickness benefits and mother and child benefits) increased 2.7 percent and reached Kcs 11.6 billion. Of that amount, 3.3 percent more was paid in child care supplements, and 7.4 percent more in medical benefits.

In healthcare institutions the number of beds increased by 664 beds to 59,669; the plan assumed an increase of 1,880 beds. Of the total number of beds, 39,562 were in hospitals and maternity wards, and 11,015 in sanatoriums in spas. The number of doctors increased moderately to 17,100, of that number 9,810 were in ambulatory care. There was one doctor in ambulatory care per 540 population, and in all health care institutions there were 11.3 beds per 1,000 population. In comparison with developed countries these data are not good.

Expenditures for healthcare increased, there are still shortages of modern healthcare equipment and some medicines and materials, so that expended resources are not adequately reflected in the care for citizens' health.

The number of places in nurseries (including in the educational department) declined by 2,118 to 49,191, mainly by being taken out of operation or by the reclassification of some facilities.

In nursery schools during the 1989/90 school year, commensurate with the smaller population year, the number of children moderately declined (to 241,000) and outstanding applications dropped to 5,457; placement problems are mainly in new housing developments. From among the rising generation 57.2 percent were accepted to intermediate technical educational establishments, and 38.8 percent to high schools and vocational high schools. In the technical educational establishments 155,000 students are preparing for professions, one-fifth of them in studies ending in examinations for high school diplomas. A continuing problem was the shortage of teachers, of whom 679 more are needed. In daytime classes in high schools and technical schools there are 132,000 students, their numbers having increased 7.1 percent in high schools and 4.2 percent in technical schools. The increase in the number of teachers was not in harmony with the increase in the number of students.

Admitted to the first year of study in the institutions of higher learning were 13,000 applicants, the number of those admitted to universities was increased. It is 16.4 percent of the pertinent population year. The number of students in institutions of higher learning (including foreign students) increased 1.9 percent to 60,567, of that number 36,000 students are housed in student dormitories. In comparison with developed countries, the number of students per 10,000 population is substantially lower here.

Of the important forms of promoting culture, the Czechoslovak television in the Slovak Republic is broadcasting approximately 20.6 hours daily, on channel No. 1, 12.2 hours, and on channel No. 2, 8.4 hours. Local programming amounted to 54 percent of total broadcast time. Radio broadcasting lasts 22.6 hours.

Slovak film production completed 273 films, of these 10 were full-length. Movie theatres were attended by 19,200,000 moviegoers, which is more than in the previous year. There were 2,900 book titles published in a total printing of 29,500,000 copies.

In residential construction a difficult situation has existed for many years, because the planned number of apartments is not being completed. In 1989 in all forms of residential construction 33,400 apartments were finished, of these 7,600 by communal construction, 15,000 by cooperative contractors, and 10,600 were individual and 600 cooperative self-help construction projects. This is only 1,200 apartments more than in the previous year, and the goals of the plan and the tasks determined by government resolutions were not fulfilled.

Residential construction was uneven from the point of view of time, material, and location. The goals of the state plan for construction by contractors were not achieved in all forms and there was a deficit of 4,600 apartments. Of the total number of finished apartments, construction organizations finished almost one-fifth in December. The largest deficit (1,400 apartments) in the plan occurred in the capital city of the Slovak Republic, Bratislava.

Modernization of the housing stock administered by socialist organizations continues to lag. Only 220 apartments of the 370 planned were modernized. Regular maintenance and repairs of the existing housing stock are not adequately provided for, which causes its deterioration.

Construction began on 35,700 apartments, 24,000 of them by contractors. Building starts by contractors fell behind the plan by 5,800 apartments, which again does not create conditions for a smoothly proceeding residential construction for this year.

The needed improvement in the quality of the environment in the Slovak Republic was not achieved. The amount of pollutants released into the atmosphere, streams, and soil remained approximately at the level of the previous year, when 582,000 tons of sulfur oxide,

197,000 tons of nitrogen oxide, 419,000 tons of carbon monoxide, 64,000 tons of hydrocarbons, and 304,000 tons of particulates were released into the atmosphere in the Slovak Republic. Measures taken thus far were not sufficiently aimed at prevention and quick results, or at the main polluters. Disposal of waste is a major problem, particularly in the capital of the Slovak Republic, Bratislava.

Obsolete and insufficient equipment and failure to observe operational and technical discipline caused an increase in ecological calamities and pollution. In 1989, 214 instances of accidental water pollution were recorded, 102 of them involving crude oil. That is, respectively, 14 and 12 more than in 1988.

With the accumulation of pollutants in the forests and agricultural land and the resulting acidity, the areas of damaged forests are increasing; after repeated measuring it has been estimated at 49 percent of the total forest area. In recent years, especially the damage to broadleaf trees has been increasing.

The large capital investments aimed at the protection of the environment have not been utilized properly. Under construction were 94 important ecological projects with a budgeted cost of Kcs 8,744,000.

To ensure clean water, 62 construction projects have been initiated. Completed were the waste water purification plant in Bosany, water purification plants Juhocukor in Dunajska Streda, and reconstruction of the canalization and water purification plants in Kezmarok.

There were 11 projects under construction for waste disposal; two were completed—disposal of hydrolyzates—second stage in Vranova nad Toplou, and a garbage incinerator in Kosice. There were 13 projects under construction for reducing the amount of polluting particulates in the air, for example, Dedusting Operations No 2 and 3 in the Orava Ferro-Alloy Works Istebne.

#### Demographic Development

Many factors influencing the population growth were manifested in a lower birth rate and increased death rate, and as a result the natural population increase was smaller than in 1988.

There were 80,400 live births, that is almost 3,000 fewer than in 1988; the decline has been continuing since 1979. There were 53,200 deaths, which is 700 more than in the previous year. The average life expectancy for women is 75.6 years and for men 67.2 years. In comparison with the Czech Republic, it is lower for men and slightly higher for women, but it still remains one of the lowest in Europe.

There were 36,700 marriages entered into and 8,500 divorces; the highest divorce rate continues to be in the capital of the Slovak Republic, Bratislava.

Slovakia lost 3,000 people through migration to the Czech Republic. The population of the Slovak Republic increased by 24,200 and by 31 December 1989 reached

5,288,000 of which 51.1 percent were women. Slovakia had 33.6 percent of the population of the entire state.

#### Structure and Dynamics of Creation of Resources in Main Production Branches

The results of research and development were not commensurate with world trends and their influence on increasing the intensification of the national economy, considering also the amount of money spent, did not meet requirements. Although the R&D potential according to the number of employees was at the level of developed countries, in the R&D base out of the total number of almost 65,000 employees approximately only 58 percent worked on research and development. Expenditure for R&D and technology grew 10 percent.

The state plan for the development of technology included 110 R&D tasks, of which eight were not fulfilled either in terms of time or technical-economic parameters. Failure to ensure production of prototypes, partial operations for testing them, supplies of materials, and machinery and equipment had a negative effect. Some 36 tasks were completed, the more important of which were, for example, control systems for thermal processes in the power industry, use of laser technology in the wood processing industry, ecologically sound construction of facilities for storage of wastes from power and metallurgical operations, research into the causes and treatment of inflammatory and noninflammatory diseases of the joints and respiratory diseases.

The shortcomings which persist in utilizing the completed tasks of the state plan were evident in the way they were implemented. Of the total number of 431 completed projects only 72.9 were introduced into practice. The share of completed projects introduced into practice was about one-tenth lower than in 1988; the volume of output based on them reached Kcs 5 billion. The production of modules for universal industrial robots was introduced, e.g., in VUKOV Presov, improved types of textiles for clothing mainly from modified polyester

fibers in Merina Trencin, a new waterproofing system for prefabricated railroad bridges in Railroad Manufacturing and Assembly Works Bratislava, and the production of baby food in Novofructa Nove Zamky.

The innovative activities of enterprises somewhat declined as a result of fewer new products being manufactured. Nor did the quality of industrial products change substantially. The highest rating of "Q" was given to goods which comprised less than one percent of the total goods output. The highest volume of "Q" quality goods of the total goods output was achieved by Northern Slovakia Cellulose and Paper Works Ruzomberok, Chemlon Humenne, Plastics Nitra, and Duslo Sala. Only a few industrial enterprises produced goods of the highest degree of quality.

The volume of production of fashionable novelties and luxury goods in the organizations of the Ministry of Industry of the Slovak Republic increased in comparison with 1988 by 19.6 percent, partly as a result of better prices. Certified as fashionable were, for example, new types of upholstery fabrics Stela and Lukas from the Linen and Hemp Factory Holic, stylish yarns for hand knitting Zuza and Femina from the International Women's Day Factory in Bratislava.

International exchange of scientific knowledge in the form of licensing contracts was unsatisfactory, and the purchase and sale of licences were low.

Within the framework of the technological creative initiative of the working people, fewer suggestions for improvement and inventions were presented than in 1988. The social benefit from the utilized suggestions for improvement and inventions moderately increased.

The results in industry were significantly affected by cutbacks of some productions, particularly arms production, postponements in obtaining more capacities, and only a partially successful handling of the necessary reorientation of marketing directions.

Development of Basic Indicators of the Production and Consumption of Goods in SR Industry (1988=100)

| Branch                     | Adjusted Value Added <sup>1</sup> | Gross Production <sup>2</sup> | Deliveries for (in wholesale prices) <sup>2</sup> |                               |                                  |
|----------------------------|-----------------------------------|-------------------------------|---|-------------------------------|----------------------------------|
|                            |                                   |                               | Domestic Market                                   | Export to Socialist Countries | Export to Nonsocialist Countries |
| Centrally Managed Industry | 106.5                             | 99.8                          | 104.4   | 94.6                          | 102.3                            |
| Fuels and Energy           | 106.6                             | 102.8                         | 88.7  | 147.6                         | 273.0                            |
| Metallurgy:                |                                   |                               |   |                               |                                  |
| Ore mining                 | 105.0                             | 101.4                         | 115.8   | 95.9                          | 103.4                            |
| Engineering                | 104.0                             | 95.9                          | 113.2   | 96.4                          | 97.8                             |
| Electrotechnical Industry  | 113.8                             | 104.6                         | 124.3   | 100.3                         | 56.4                             |
| Chemical industry          | 105.8                             | 99.6                          | 109.0   | 88.3                          | 109.5                            |



Development of Basic Indicators of the Production and Consumption of Goods in SR Industry (1988=100) (Continued)

| Branch                   | Adjusted Value Added <sup>1</sup> | Gross Production <sup>2</sup> | Deliveries for (in wholesale prices) <sup>2</sup> |                               |                                  |
|--------------------------|-----------------------------------|-------------------------------|---|-------------------------------|----------------------------------|
|                          |                                   |                               | Domestic Market                                   | Export to Socialist Countries | Export to Nonsocialist Countries |
| Healthcare products      | 115.5                             | 104.6                         | 114.2   | 76.1                          | 103.1                            |
| Wood processing industry | 111.5                             | 101.9                         | 107.0   | 88.9                          | 105.4                            |
| Light industry           | 108.5                             | 103.1                         | 105.7   | 97.0                          | 104.0                            |
| Construction materials   | 101.8                             | 100.1                         | 107.3   | 75.5                          | 117.5                            |
| Food processing industry | 115.3                             | 101.7                         | 102.3   | 88.4                          | 81.5                             |

1. Internal organizational units

2. State enterprises

Among exports to socialist countries, deliveries of machinery and equipment for capital investment also declined in comparison with the previous year. The valuation of the various deliveries developed differently.

The volume of deliveries for the domestic market increased 4.2 percent in retail prices; the ratio of retail to wholesale prices dropped by 0.27 points, which had a negative impact on the revenues to the state budget. On the other hand, the value of deliveries in f.o.b prices developed more favorably; in relation to nonsocialist countries it increased 11.4 percent and in relation to socialist countries it declined 4.6 percent.

The manufacturing process became more economical, with total costs declining by almost 1 haler for Kcs 1.0 of output in comparison to 1988, and material and other costs by 1.37 halers. The wage intensiveness of net production also declined. The volume of profit increased 3.5 percent (at comparable conditions); in organizations managed by the SR government by 27.7 percent and in the federally managed it declined 10.5 percent in comparison with 1988. As a consequence of these developments, the profitability of production assets moderately declined, and the return on costs increased by 0.33 points. The time for inventory turnover (86 days) increased by 2.5 days in comparison with 1988.

There were 750,300 employees working in production, which was 2,800 fewer than in the previous year. The number of employees declined mainly in enterprises of general engineering, textile, and wood processing industries.

Labor productivity in adjusted value added increased 6.1 percent, in gross production it remained at the 1988 level. The average monthly wage of a worker increased 2.0 percent to Kcs 3,235.

The utilization of the available work year by workers at 90.1 percent was slightly worse because of an increase in sicknesses. The share of overtime work declined from 4.8

percent to 4.3 percent and the coefficient of the number of shifts worked declined from 1.419 to 1.407.

Production in individual branches developed as follows:

As a result of a higher output of electrical power by 4.4 percent (6 percent of that in nuclear power plants) the output of the fuels and energy industry increased by Kcs 416 million. Mining of brown coal and lignite declined 6.3 percent.

In metallurgy including ore mining the mining and processing of ore increased 3.8 percent, production of ferrous metallurgy 1.1 percent and nonferrous metallurgy 1.5 percent. According to the demands of customers (mostly in foreign trade) the production of pig iron, crude steel, blast furnace ferrous alloys and rough sheets increased, and the production of thin sheets, steel alloys and forged pieces declined.

Production in the machine tool industry was Kcs 2,930,000 lower than in 1988. Output declined the most in the state enterprise Heavy Machine Tool Works Martin, by 13 percent (mostly in the main factory and in the Heavy Machine Tool Works Dubnica nad Vahom), as a result of the conversion of arms production, and because of marketing, capacity and organizational problems also in the enterprises Calex Zlate Moravce by 11 percent, Kovosmalt Filakovo by 16 percent, and Elitex Liberec by 16 percent. The production of passenger cars and delivery vans increased 7.4 percent, trucks 3.6 percent, motorcycles and scooters up to 100 cc 10.4 percent. Among industrial consumer goods, the production of household refrigerators and freezers, washing machines and enamelled bathtubs declined.

The output of the electrotechnical industry increased by Kcs 843 million. Among the products of this branch there was an increase particularly in the production of color television sets of 7.8 percent, data processing instruments 10.3 percent, digital computers 34.3 percent, monolithic integrated circuits 25.6 percent. Manufactured were 37,500 video tape

recorders, that is, 8,700 more than in 1988. Production of electric motors declined 4.6 percent, cables and conductors 2.9 percent, and radio receivers 21.2 percent.

Organizations of the chemical industry lagged behind the level of the previous year by Kcs 187 million as a result of a lower volume of crude oil processing, delayed starts of new production and breakdowns of machinery equipment. A higher degree of crude oil processing and other primary raw materials was achieved. Production of passenger car bodies increased 7.1 percent and truck bodies 1.8 percent, of plastic materials 1.2 percent, nitrogenous fertilizers 1.0 percent, phosphate fertilizers 2.2 percent and potash fertilizers 2.6 percent. Production of gasoline declined 8.2 percent, of diesel fuel and heating oil 2.4 percent, sulfuric acid 8.3 percent, floor coverings 4.5 percent, and chemical fibres 0.6 percent.

In healthcare production, despite the increase of production by Kcs 99 million and supplementary imports, material and production problems persisted, in particular shortages of needed components for the manufacture of medicines.

In the branch of light industry the fastest growth was in the output of the glass and clothing industries. Despite a 5.4 percent increase of deliveries for the domestic market in retail prices, the satisfaction of consumer demand for the selection and quality of goods was inadequate. The consumer demand for sporting goods and leisure products, party clothes, and leather, fabric, and children's shoes was not met.

The output of the wood processing industry increased by Kcs 287 million. Manufacture of final products grew the fastest, with production of furniture increasing 2.3 percent, paper and cardboard 6.8 percent. The level of the previous year was not reached in the production of softwood and hardwood lumber and wood fibre boards.

The output of construction materials remained practically at the level of the previous years. Shortages of some products persist, particularly of cement, lime, and building materials.

The output of the food processing industry increased by Kcs 676 million. Increased was the production of refined sugar by 20.1 percent (including the postponed campaign from the previous year), butcher's meat (including veal) by 3.1 percent, cheeses (other than soft ones) by 5.5 percent, poultry by 5.5 percent, and the production of vegetable fats and oils declined 0.9 percent, of pasteurized milk 2.1 percent, bread 2.8 percent, and pasta products 1.9 percent, whereas the production of dairy butter remained at the level of the previous year. The increased production was directed exclusively to satisfy the demand for food products on the domestic market.

At the end of the year, 167 state manufacturing enterprises were active in SR industry. In addition, there were five joint stock companies, as well as domestic organizational units of 11 state enterprises with headquarters in the Czech Republic.

The extent of construction work performed by construction enterprises increased in comparison with the previous year only insubstantially. The increase was faster in repairs than in capital construction. The volume of work on the comprehensive residential construction also increased, but the goals of the plan were not reached and the planned number of apartments was not completed.

During the course of the entire year there was considerable differentiation among enterprises in the fulfillment of tasks, and uneven progress of work in terms of time. The progress of construction was also negatively affected by shortages in supplies of material and machinery and by departures of skilled workers.

The goal to increase efficiency was not fully realized either, particularly as regards the material intensiveness of production. The formation of profit was also negatively affected by penalty costs which grew by almost 50 percent. Under the conditions of the new price system the number of enterprises working at a loss increased from two to 24 and in six of them a consolidation program was introduced.

There were 207,900 people working in the construction branch. That is almost 7,000 fewer than in 1988, of these 5,900 in enterprises managed by the SR Ministry of Construction. Of the total loss of workers more than 70 percent were in the category of main operations, from which the most skilled workers left for the associated productions of the unified agricultural cooperatives.

Labor productivity in basic construction output per worker increased 3.7 percent, and productivity in adjusted value added 4.6 percent. The average monthly wage in construction was Kcs 3,389, an increase of Kcs 83.

According to preliminary data, the gross production in agriculture reached Kcs 39.3 billion. In comparison with 1988 its volume increased 0.9 percent, while crop production was 1.0 percent lower and livestock production increased by 2.5 percent. Because tasks for purchasing crops were not fulfilled, the structure of production on the market developed differently than planned.

In plant production good results were attained in the overall production of grains, oil plants, legumes, annual forage, and some kinds of vegetables and fruit. The intensity of sugar beet production was higher than in previous years. The potato harvest was the smallest in several decades. Inefficient use of perennial grasslands continues.

Development of Production of Main Crops

| Indicator                         | Average Production in Thousands of Tons |         | 1989 Index | Yield per Hectare |       |
|-----------------------------------|---|---------|------------|-------------------|-------|
|                                   | 1986-88                                 | 1989    |            | 1988              | 1989  |
| All grains                        | 4,092.7                                 | 4,249.1 | 97.2       | 5.31              | 5.19  |
| wheat                             | 2,132.1                                 | 2,266.4 | 92.8       | 5.80              | 5.53  |
| barley                            | 903.3                                   | 936.5   | 106.0      | 4.60              | 4.70  |
| corn                              | 843.1                                   | 825.2   | 100.1      | 5.55              | 5.55  |
| Potatoes                          | 895.4                                   | 745.4   | 83.6       | 15.62             | 13.56 |
| Sugar beets                       | 1,686.8                                 | 1,876.0 | 107.1      | 33.13             | 34.34 |
| Oil plants<br>(excluding poppies) | 136.9                                   | 144.6   | 103.1      | 2.36              | 2.35  |
| Bulk feed (hay)                   | 5,315.4                                 | 5,546.4 | 100.2      | —                 | —     |

The harvest made it possible to realize the planned purchases of grains and oil plants for the state commodity reserve. Smaller than called for in the plan were purchases of sugar beets, by eight percent, potatoes by 25 percent, and edible legumes by 50 percent, and among individual items rye, barley, rape, and poppy seed.

Considerable investment and noninvestment capital was spent for improving the fertility of the agricultural land resources, but sufficient use was not made of organic fertilizers, the volume and quality of which is inadequate to meet the needs in practice. During the last year the energy and material intensiveness of agricultural raw materials production continued to rise.

In the sector of livestock production the supply of meat was ensured by slightly higher numbers of cattle and sows and by increasing the number of slaughtered animals. The rate of the average weight gain of cattle and pigs being fattened stagnated.

The continuing shortcomings in the organization of production and particularly in the feeding of livestock in many enterprises manifested themselves in a low increase of the utility of cows and its lag behind developed countries. The total production of milk was 1,995,000 liters of milk, which is only 0.2 percent more than in 1988. The average annual yield of milk per cow increased to 2,654 liters.

The utility of hens increased more significantly, when the average egg yield increased in contrast with the previous year almost by five eggs to 249 eggs, and the total egg production by 1.6 percent. The undesirable decline in the number of sheep continues.

In comparison with 1988, the total purchases of fattened cattle increased 3.8 percent (the state plan was exceeded by 5.3 percent), of poultry 5.6 percent, milk and eggs 1.2 percent.

In forest management 5,600,000 cubic meters of timber was harvested, which exceeded the level of 1988 by 1.6 percent. The harvest was higher mainly in soft woods. Of the total harvest 42.1 percent was wood processed as a result of calamities, which considerably influenced its

structure. In comparison with the previous years, one-fifth more of calamity timber was processed, while more than 1 million cubic meters of such timber remains to be processed.

The volume of delivered lumber was 5,600,000 cubic meters, that is at the level of the previous year. Some 18,500 hectares were reforested, which is 3.3 percent more than in 1988 and 2.3 percent more than the plan called for.

Deliveries of 460 million cubic meters of drinking water were made to consumers, which is 19 million cubic meters more than in the previous year. The number of citizens supplied by water from public water mains increased from 73.1 percent in 1988 to 74.2 percent, and residents in buildings connected to public sewer systems from 49 percent to 50 percent.

Public freight transport, with an overall reduction in the demand of the national economy for hauling, met the requirements of freight contractors. The share of railroad freight service was 53.5 percent and in comparison with the previous year moderately increased, that of the Czechoslovak Vehicles Transportation was 44.2 percent, and waterways 2.3 percent.

The volume of railroad freight traffic declined as a result of lesser demand by transport contractors and lesser dynamics of transport activities. A more even loading pattern resulted in an improvement of the average load per car, labor productivity of the locomotive engineer and a shorter turn-time per car of 2.74 days.

The efficiency of shipping freight on waterways was influenced by low water levels as well as fewer orders for hauling goods, the volume of which declined in comparison with 1988 by more than 10 percent and efficiency by 3.8 percent.

While there was 4.9 percent less volume of freight, the performance of road freight transport by the Czechoslovak Vehicle Transport increased in comparison with 1988 as a result of the overloading of the average hauling

distance. The truck fleet of the Czechoslovak Vehicle Transport has 8,821 vehicles, of those 1,775 are older than eight years.

In public passenger transit the observance of the flow chart of the railroad passenger transit service improved from 97.1 percent to 97.5 percent. Passenger transit declined in comparison with 1988 by 0.5 percent (by railroads, which carried roughly one-tenth of the passengers, by 2.7 percent).

In the communications branch, at the end of the year 1,199,600 telephones were in operation, of those 487,800 were in residences. In the course of the year 56,400 telephones were added, of those 33,700 in residences. The number of outstanding applications (91,000) remained high. In comparison with developed European countries telephone system is small.

### Capital Investment

To assure development of the productive and nonproductive spheres, capital construction work and deliveries (excluding project "Z" and private construction by citizens) in the value of Kcs 58.5 billion were realized, which included construction work for Kcs 28.5 billion and deliveries of machinery and equipment for Kcs 30.0 billion.

The volume of construction work and deliveries in comparison with the previous year was 1.9 percent higher. The increase was directed mainly to the metal-lurgy-engineering complex and capital construction of the national committees. The share of machinery and equipment in the total volume of capital investment increased by two points and reached more than half of the realized capital construction work and deliveries.

Work aimed at completing construction was inadequately concentrated. On building sites there were difficulties particularly in getting deliveries and assembling technical equipment. The progress of ecological construction projects and construction of new housing developments was unsatisfactory. The share of capital investment for modernization grew slowly and was low.

Of the planned 38 capacities on mandatory building projects 16 were put into trial operation, among them: Intensification of the underground reservoir Lab; transit gas line SR control and information system 1st stage; long distance cable Levice-Mochovce-Ziar nad Hronem; water reservoir Nova Bystrica.

Planned construction completion times were not met in many, mainly industrial, facilities, which caused serious macroeconomic losses. For example, unfinished remained facilities under construction for the Juraj Dimitrov Chemical Works Bratislava—additives for lubricating oils; Slovnaft Bratislava—complex Hydrokrak I and II buildings; Slovakofarms Hlohovec—universal hall for chemical-pharmaceutical production; Railroad Repair and Machinery Works Vrutky—remodelling of

workshops for repairing electric locomotives; Radiocommunication administration Bratislava—center for radio broadcasting Western Slovakia; Tesla Lanskroun—construction of factory Stara Lubovna.

The state of unfinished construction projects was above all by the consequence of the smaller number of newly started constructions. The balance of budgeted costs declined in comparison with the previous year.

Work in the value of Kcs 2,343,000 was realized in project "Z," including Kcs 603 million in water management construction, Kcs 174 million in education, and Kcs 144 million in trade and restaurant services.

### Footnote

1. The Differentiation of Countries as Socialist and Nonsocialist According to the Method Used in 1989.

## HUNGARY

### Entrepreneurs on Privatization

25000687E Budapest FIGYELO in Hungarian  
15 Mar 90 p 10

[Excerpts from a statement issued by the National Association of Entrepreneurs concerning privatization]

[Text] The National Association of Entrepreneurs [VOSZ] grasps the foundation of the various approaches: The dominance of state ownership must be broken, and small- and medium-sized plants and private ventures must be developed. Only this can serve as a foundation for recovery from the economic crisis.

VOSZ rejects all concepts which have as their basic principle distribution, handouts, waste, and squandering. VOSZ' proprietary reform concept starts out from the interest structure of entrepreneurs. Thus, VOSZ is firmly convinced that within proprietary reform the most efficient way would be to consciously provide a competitive advantage in the privatization process to ventures and entrepreneurs whose operations are fully, or to a decisive extent, based on private property.

Thus, among this group of persons centralization could be reduced to a minimum. Full exemption from under taxes and other central contributions should be granted if a venture, an entrepreneur, uses the resources thus freed for purposes of investment and/or for the acquisition of state property.

In the event that such property is subsequently sold, the resultant income should not be subject to progressive taxation. In VOSZ' judgment only a linear source tax would be warranted, and temporarily even the payment of such a tax should not be enforced. Free stock, property certificates, and cooperative business shares are peculiar types of income with the nature of dividends. Thus, in this relation at most a source tax is warranted. (Quite



naturally, not even this is needed if we do not want to superfluously restrict the trading of securities with delayed taxes.) In VOSZ' view it would be more useful to provide tax exemption in these cases. As a minimum condition VOSZ recommends that one be able to write off the value of stocks or business shares purchased up to 50 percent of the personal income tax base, and that this should be entirely tax free. In such a case, the populace would assume risks to the extent of its income, with regard to investments, while the state would take a risk to the extent of the tax amount. Considering today's standard of living and tax rate, the inclination to invest would not be too great even under these circumstances. This solution would also exert pressure to reduce inflation. In VOSZ' view the fact that dividends could be paid only out of taxed (Entrepreneurial Profit Tax—VANYA) income, and the fact that dividends are again subject to taxation, represent an impermissible double taxation.

It would be important that no fees be charged for transfers, because fees serve the purpose of maintaining the existing proprietary structure.

Although privatization may be supported by credit sources made available at preferential terms, by individual contracts and leasing constructions, one must recognize that the present credit limits of entrepreneurs would allow them to make use of these only to a small degree. For this reason, privatization concepts limited to measures of this kind cannot be implemented.

Privatization could be stimulated if the private persons would receive seven- to 10-year credit for the purchase of stock in state property. Private persons would be required to possess only between five and 10 percent of the nominal value of stock; the balance could be paid by the corporation from profits to be earned later. Another matter that may be considered is the granting of three- to five-year cash loans at favorable interest rates. The stock itself would become the security for such loans. Thus, borrowing of this kind would not have an inflationary effect, because the stock could not be sold before the loan is paid off.

Settlement of the ownership right to state-owned premises and means of production leased by contractual operators, small tradesmen, and private merchants must be treated as an important factor in privatization.

That part of the government's privatization concept which regards the existence of state enterprise centers in most fields of commerce and the catering industry as superfluous, and which endeavors to discontinue those, appears to be appropriate. This primarily affects contractual operators.

Under a contractual form of operation, the aggregate amounts paid by entrepreneurs should be sufficient to purchase the commercial catering units. When purchasing such units, aggregate amounts paid in thus far, or parts of these, should be regarded as payments already made to the state. Appropriate methods exist to establish the value of real estate, business, and equipment. This can be resolved

relatively easily. On the other hand, legal settlement is needed for the reclassification of earlier leases into ownership with respect to premises. In VOSZ' view, no excessive advantage would be granted if the present operators would directly acquire ownership rights to the facilities they operate, meaning that no additional competitive bids would have to be made for the units they operate on the basis of earlier competitive bids. VOSZ regards the idea of stock ownership by employees and enterprise managers that will create increased incentive for the successful operation of the economic means operated by these persons as a workable solution. However, stringent conditions must be developed for employee and enterprise manager stock ownership. One may fully support the idea that the profits produced in an enterprise should be shared by workers and managers on the basis of the enterprise's own decision, not just in the form of cash awards, but also in the form of stock.

### Prospects of East European Payment Union Discussed

25000687D Budapest NEPSZABADSAG in Hungarian  
13 Mar 90 p 8

[Interview with Gabor Oblath, KOPINT-Datorg chief division head; place and date not given: "East European Payment Union: the Price of Self-Deception"—first paragraph is NEPSZABADSAG introduction]

[Text] An East European Payment Union, to be developed along the pattern of the European Payment Union [EPU], may be a means by which integration with a unified Europe and with the global economy can take place. At present, KOPINT-Datorg associates are researching ways in which methods that have worked previously can be applied. Gabor Oblath, chief division head, provided us with a sketch of this concept.

[Oblath] CEMA countries differ greatly in the manner in which they have prepared themselves to work with market methods. The short-term outlook is not too encouraging. There is a long road to be traveled from plan-directive methods to a market economy. Hungary has already traveled quite a large part of this road; it is a step ahead of the rest, because in this country a number of market institutions have evolved. Here I mean not only the most recent institutions, but also, for example, the organizing of wholesale trade, a matter that is completely missing in Czechoslovakia and the German Democratic Republic.

### The Finns Recognized the Danger

[NEPSZABADSAG] Is the radical decline of the inclination and ability of our East European partners to deliver, while they manifest continued demand for Hungarians goods, related to commerce?

[Oblath] This appears to be a long-term trend this year. That is why I believe that changes in the manner in which accounts are settled among CEMA countries cannot be avoided. I do not regard the cold shower approach, meaning an instant introduction of dollar or

other convertible currency-based settlement replacing the ruble, as feasible. This applies particularly to Soviet-Hungarian relations. Losses could be incurred, the magnitude of which the Hungarian economy could not tolerate.

[NEPSZABADSAG] What kinds of losses could we think of?

[Oblath] As compared to export prices, the prices of raw materials and processing industry products imported to Hungary would increase. This would be accompanied by an exchange rate deterioration. Certain losses may also be incurred as a result of the transformation of the Hungarian export structure. The ratio of thus far profitably exported machine industry products would decline, and the export share of the highly subsidized light industry and food industry products, of agricultural products, would increase.

[NEPSZABADSAG] The halt in exports, and in general the changing product structure, closely affect the citadels of Hungarian industry. Ikarus, Videoton, machine tool manufacturing, and electronics are involved. What will the fate of these enterprises be?

[Oblath] I cannot make predictions, of course. As a market researcher I am only aware of the fact that the need to sever ourselves from the Soviet market has existed for a long time and that reserves to accomplish this should have been accumulated in better years of the economy. The fact that the Soviet market does not represent a relationship that lasts forever was recognized very well, for example, by the Finns during the first part of the 1980's, when things were still going well. They recognized that from their standpoint the market of the neighboring country would soon narrow down, and that they would be able to maintain their position. [as published] On the other hand, I feel that the price of self-deception should be paid not only by the enterprises, because orientation toward the East was not primarily based on decisions made by individual enterprises. This directional approach was guided by political goals. Perhaps the solution would not be to discontinue the enterprises which are not profitable as a result of this. If there is no way to put these enterprises back on their feet by changing their profiles, we should offer these firms to the capitalists, because the existing machinery and human knowledge could most certainly be put to use. I would call this the rescuing of national property, and I would not call it a sellout, as is fashionable nowadays.

#### Settlement in Free Foreign Exchange?

[NEPSZABADSAG] Returning to the idea of the East European payment union, what alternative solutions appear to be available?

[Oblath] As I mentioned before, we need not instantly change to settlement in free foreign exchange. There are mixed techniques by which this can be implemented. For example, a certain part of the trade could be transacted in exchange for real dollars, while another part could be transacted in clearing dollars, meaning a simple account

adjustment at the banks. There are proposals to the effect that a certain proportion of trade would be settled in national currencies on the basis of freely fluctuating national foreign exchange rates. Signs indicate that we will be able to reach an agreement with the Soviets in the not too distant future, perhaps as soon as 1991. This would be a settlement system based on free foreign exchange, supplemented by some temporary alleviations to reduce Hungarian losses.

#### The New Marshall

[NEPSZABADSAG] What will the fate of our relations with the rest of the heavily indebted East European countries be? We are not the only ones to be struck by a heavy debt service, the rationalization of the economy, and the constraint to implement reform measures.

[Oblath] In the West they are well aware of the fact that transformations are accompanied by great economic and societal burdens. But in the Western view the two kinds of burden, at least financing and subsidizing, appear to be separable. On the one hand they want to support structural transformation in the framework of the Hungarian-Polish Phare program. On the other hand they link such support to conditions dictated by the International Monetary Fund which present a very tight constraint on the economic sphere of movement. These include large scale improvements in the balance of payments, in other words they prescribe a significant outflow of resources from the country. The indebted East European countries must understand the West: The temporary alleviation of the debt service is in the fundamental interest not only of these countries, but also of their creditors. Without that, neither the conditions for subsequent repayment, nor for a social and political approach to Europe, can be established.

[NEPSZABADSAG] Accordingly, is a new kind of Marshall Plan the sole condition for the evolution of a unified world market?

[Oblath] Yes, but a few important steps must be taken before that. Although the \$1 billion support to be provided to Hungary in the framework of the Phare program indeed represents only a drop in the ocean, it nevertheless constitutes a certain starting point. The evolution of the market may accelerate everywhere if all small East European states receive a financial impetus, and this would gradually discontinue the alienation and isolationist trend manifested by these countries. Thereafter the entire region could be treated as a unified whole, and after the small programs, another Marshall Plan could be started.

#### Ruble Exports: Text of Council of Ministers Statement

25000687C Budapest NEPSZABADSAG in Hungarian  
13 Mar 90 p 5

[Text] Production and employment concerns related to the forced reduction of exports payable in rubles have increased

in recent weeks. Exporting opportunities subject to settlement in rubles have narrowed by dramatic proportions, first in 1989, and then in 1990 because of offsetting difficulties experienced by CEMA trading partners. Enterprise endeavors—coupled with laxity manifested by the government—produced a situation in which an active total accounts receivable of 1 billion rubles had evolved in the CEMA relationship by the end of 1989. This surplus is very high. From a practical standpoint this amounts to the same as if the Hungarian state were to grant an interest-free loan to the countries involved, which in turn increases inflation and deteriorates our convertible currency balance position.

For this reason the Council of Ministers wishes to stress that suspending deliveries on credit constitutes one of the fundamental conditions enabling Hungary to have access to further, indispensable convertible currency loans for the Hungarian economy. This condition is based on an agreement held with international financial organizations.

The government's 1990 economic program, as approved by the National Assembly, stipulates a 20-percent reduction in exports subject to settlement in rubles. As of early this year, the situation was substantially worse than expected, because political changes in neighboring CEMA countries brought economic crisis phenomena to the surface. Production declined substantially in virtually all of these countries, and their preparedness to deliver is expected to further deteriorate in the upcoming months. As a result of all this, the Hungarian surplus further increased during the first two months of the year. This provided the final impetus to the government to introduce a case-by-case export licensing process. Insofar as an improved balance is concerned, the initial results of this process could already be seen in February.

For the time being there is no opportunity to relax these stringent measures! The only goal we may have is to render the process more predictable, and to better streamline licensing and realization [as published]. For this reason, reviews will be conducted by an interministerial committee, including a broad base of interest groups.

Additional measures of increased stringency must be taken in order to avoid last year's negative processes. The Council of Ministers has decided to introduce income reduction measures in order to reduce the enterprises' motivation to effect exports: Export settlement indexes will be made more stringent on a differentiated

basis, and the so-called cash on delivery system will be reviewed. The changing of these elements of the regulations will also reduce the weight of intervention based on administrative and case-by-case considerations.

The government is prepared to set aside financial resources within the state budget which bridge the existential difficulties of citizens who are temporarily out of a job, through no fault of their own. It should be noted, however, that the long-term resolution of the structural crisis can be accomplished only by discontinuing a number of workplaces and transforming production, and by establishing new workplaces and introducing new products. The government is committed to providing the needed rules and part of the resources needed for structural transformation. This is important in the government's view. The export competition system with its own preferences, and increased credit and funding resources, continues to be available to enterprises which have a strategy for structural change.

The government has reached a decision in principle to create a new enterprise, one that supposedly will operate in the form of a stock corporation, whose purpose it will be to assist enterprises which find themselves in difficult situations due to reduced ruble exports, and if needed, to transform such enterprises.

The government once again calls attention to the fact that in the framework of direct inter-enterprise relationships, enterprises have an opportunity to effect additional deliveries on the basis of so-called barter—merchandise for merchandise—trade, over and above the contingent. This type of trade is permissible to the extent that offsetting import opportunities discovered by the individual enterprises are available. The government is making a maximum effort to negotiate trade transactions of this nature with the various partners at the highest levels. A 1990 Hungarian-Soviet mercantile trade agreement is expected to be reached within a short period of time. The available export quotas may become clear to enterprises thereafter. The settlement of the surplus will also become a reality.

At the same time, the government calls the attention of enterprise communities to the fact that strikes and protest demonstrations are not a suitable means of increasing export contingents. Any business unit which acquires an opportunity for excess exports in the framework of this bargaining mechanism does so only to the detriment of the rest of the enterprise collectives.

## HUNGARY

### Hazardous Medical Waste Disposal Creates Public Controversy

90CH0003B Budapest NEPSZABADSAG in Hungarian  
20 Feb 90 p 5

[Interview with Gyorgy Kovacs, president of the Budapest City Council's committee for environmental and natural protection, by "B. Sz. J."; place and date not given: "It Will Not Work Without Public Consent"]

[Text] The Public Health and Social Welfare Division of the Budapest Municipal Council has invited bids for the neutralization of extremely infectious and hazardous waste material from hospitals and health facilities. The bids were evaluated recently, and it was consistently the proposal submitted by the Cooperative for Environmental Protection that proved to be the most suitable. In accordance with their proposal, the limited liability firm they plan to establish, using the resources of the National Fund for Environmental Protection, the subsidized loans connected to the Fund, and the resources brought in by the members, would be able to neutralize the hazardous waste without endangering the environment, in an economical manner, and even make a profit in the process. Their incinerator was planned to be located near the Ferihegy airport. However, the Budapest City Council's committee for environmental and natural protection stopped the "victorious march" of this winning proposal by refusing to recommend it: This means that the Cooperative would not get the sizeable support of the National Fund for Environmental Protection, without which, of course, the firm would not materialize.

We asked Gyorgy Kovacs, the president of the committee, why they did not support the firm:

[Kovacs] It would be at this Ferihegy incinerator that the hazardous waste from the entire Pest county and the capital city would be burned. Members of the committee said: Go ahead and build that facility, which is needed, but only if the people of the neighboring settlements and the community of Vecses give their consent. We can no longer maintain the old practice of first building the plant and then making the population acknowledge it, whether they like it or not. People who reside near Ferihegy have already suffered quite a bit because of that practice. Therefore, to avoid confusion, I summarize the situation once more: There is a need for an incinerating plant which would neutralize the hazardous and infectious waste created by health facilities. According to the expert members of the committee, the proposal made by this limited liability firm is entirely safe for the environment. At the same time, it is unacceptable for the plant to be built without the consent of the populace.

[NEPSZABADSAG] What solution do you recommend?

[Kovacs] Representatives of the limited liability firm should seek out the opinions of people who reside in the

area, and convince them that they too are interested in having the plant built. If they succeed in that, we will also give our consent.

### Criminal Statistics Will Not Classify Gypsies Separately

90CH0003A Budapest NEPSZABADSAG in Hungarian  
12 Feb 90 p 4

[Article by police Colonel Janos Dobos, head of the National Police Headquarters' criminal investigation division: "Statistics Will No Longer Show Gypsy Criminals"]

[Text] Someone had to accomplish the task that was expected by hundreds of thousands of citizens, even if it would not make him universally popular. Our nervously overheated public life would have difficulty tolerating the continued use of a not-quite-fully-considered police expression that has long been disliked in certain circles, and that has prompted individuals to whom it is applied to become involved in numerous street debates as well as some scientific ones, because the expression in question was adopted even by scientists.

In the 1970's, when policemen in the criminal division decided to use the terms "Gypsy criminal" and "Gypsy offense" and, accordingly, designated certain perpetrators to fall into certain categories of crime statistics, they were not driven by racial hatred or the desire to nurture and reinforce racial prejudices, but simply because they wanted to break with the false modesty surrounding the issue and call phenomena by their name. Once again, however, it was demonstrated that the road to hell is paved with good intentions.

It remains true even today that in our country citizens of Gypsy descent tend to commit crimes (at times grave and irritating ones) at a rate that is much higher than applies to the general population. There are certain types of offenses that are committed only by Gypsies. There are certain tricks and methods that are used only by Gypsies. Moreover, during criminal proceedings they defend themselves in a peculiar manner that tends to make any prosecutor who is unfamiliar with their tactics impotent. The above factors have prompted and continue to prompt us to study these important factors that are indispensable for successful crime fighting, and to ask some of our investigators to specialize in tracking and prosecuting crimes committed by Gypsies. This will be necessary in the future, as well.

In other words, the expressions mentioned at the start of this article express primarily distinctions of criminology, crime tactics, and criminal methodology, and not of jurisprudence or law. Imagine what would happen if a New York policeman or investigator working in Harlem were to use certain methods that are accepted in Chinatown? No matter how we look at it, it is one of our tasks to protect society against crimes that are committed by criminals who happen to be Gypsies. Gypsies cannot be held responsible for the fact that when it comes to



criminal behavior they evidence a certain difference from other ethnic groups. That is attributable, by and large, to their past, their history and the existing burdens they have inherited: the fate of Gypsies. And, believe me, we are familiar with its components....

Thus, there was and is a professional point of view which produces its own jargon and its own expressions. However, this is only one side of the coin. After all, the above-mentioned professional expressions, which are connected to the real demands of fighting crime, also insult the entire Gypsy population of this country and contribute to the official maintenance of certain unfavorable prejudices. And if that is the case, then the situation is intolerable, and it is up to individuals to do something about it.

That is the reason why we discontinued using the above-mentioned statistical category in 1989. Since we are no longer collecting such data, crime statistics will no longer contain references to "Gypsy criminals" and "Gypsy offenses." I proposed that three orders that dealt with "Gypsy criminals" and "Gypsy offenses" (because that is all that existed: two decrees from the minister of internal affairs and a letter from the deputy minister) be declared invalid.

Let there be no mistake, criminals (even if they are Gypsies) must be uncovered, and accusations against them must be lawfully proven. If, as it is nowadays unfortunately the case quite often, Gypsies also end up in this process, then the peculiarities of their criminal behavior must be answered not by discriminating adjectives, but by the successful work of investigators who have the tactical and methodological preparation for this.

I, together with my coworkers, will make every effort to bring about this change of attitude. At the same time, we hereby publicly apologize to all those whose humanity, prestige, and human dignity the above-mentioned adjectives have injured or insulted.

## POLAND

### Leader of Anti-Drug Abuse Movement on Treatment Methods, AIDS Threat

90WD0236A Warsaw ZOLNIERZ POLSKI in Polish  
No 5, 4 Feb 90 p 5

[Interview with Marek Kotanski, head of MONAR (Young Peoples Movement To Combat Drug Abuse), by Lucyna Luczynska: "Reach the Cells of the Addicts"]

[Text] [ZOLNIERZ POLSKI] In the drug addict community there are legends going around about Machiavellian methods of treatment used in MONAR facilities. This scares many people. They give up being helped, although they want treatment very much. Sometimes they clutch one another like grabbing the last piece of wood for help and stand before Kotanski and the group

with all the the most dramatic displays of dependence: a sense of isolation, life on the fringes, solitude. They are afraid to live sober. The fact that they came at all is already a psychological shock. But here too they can be rejected. Unwillingly, with an absolutely inimical attitude towards newcomers, intolerance, aggression... This is the ritual of acceptance into the group. Why are you so brutal in attacking a person who needs help?

[Kotanski] It only seems that way. We don't attack the person. We attack the addict. He has to understand how very sick he is, how difficult it is for other people to accept his filth. We have to cleanse him of this, break through the layer of his addiction, and prove that he is lying. If we adopt the method: "Come, Brother, we love you," the whole group will derail. We start with treating the sickest part of the system. Like a surgeon, I have to reach the cancerous cell of the addiction. Cut out the tumor. That's why "blood flows." Such an operation is necessary.

[ZOLNIERZ POLSKI] Without preparing the patient for the operation, without anaesthetic?

[Kotanski] That's right, live. In the presence of others who were sick just like him.

[ZOLNIERZ POLSKI] Does it often happen that a return to normal life ends with the first attempt at treatment?

[Kotanski] Very rarely. Most patients think that this form of induction has provided them with a great deal. They understand that all the people in the facility are specialists who know what they're doing. You can't pretend here or try to figure something out. There's no way out. You have to be yourself, to put it bluntly.

[ZOLNIERZ POLSKI] What is the procedure for getting a spot in a MONAR facility?

[Kotanski] It's very simple. The patient is taken in at a counseling center. People talk to him there at the counseling center, then there's a referral to the detox department of the hospital, and after treatment he transfers to MONAR.

[ZOLNIERZ POLSKI] Is the person excluded from the group, if he violates the regulations or starts using drugs again?

[Kotanski] Yes, but there's a possibility of coming back. For years there was the principal that only roses can be in a treatment facility. Now after the discipline is ended a person can come to the facility's community again and ask to be admitted.

[ZOLNIERZ POLSKI] To the world you are building an alternative world for your patients. But isn't there a danger in this wonderful utopia, which is what this illusory life in the facility is. Here people find what they wanted. Everything is up to the patients. They choose their authority, exercise control. Human relations are as

informal as possible. Everyone becomes better and better. People learn to value themselves. Then they go back to gray reality.

[Kotanski] Initially, during the first few days of "the science of living," the person may of course feel a little like being in Disneyland, with the principals of democracy, openness, honesty, and truth, which one might not require of everyone on the outside, but during the third stage, when the patient becomes a Monarite, he trains to return to everyday life, working outside the facility. He adapts to the reality surrounding us, where the law of money and the ability to make one's way prevail and where he comes in contact with all this. He has to develop a natural resistance.

[ZOLNIERZ POLSKI] You cure not only under unconventional conditions but in an unconventional way. Don't some of your methods, such as the principal of "partial trust" confuse your patients? Do they accept the informers submissively?

[Kotanski] There must be some sort of safeguard, in the interest of everyone. After all, each of a patients is a drug addict. At any time of the day or night we have to monitor whether or not everyone is "all right," check pupil reflexes, to see whether they're smoking cigarettes, have been drinking alcohol, or have needles. Every MONAR house has such a protective team, and it's the young people, the patients, who make up these teams. It gives everyone a sense of security that nothing bad is happening in the facility. Absolute trust has not always worked for the good, and this is why it has become necessary to work other another method. And it's somehow become accepted.

[ZOLNIERZ POLSKI] Are the people's individual predispositions the cause of the addiction?

[Kotanski] I think that there are as many causes of addiction as there are people. Each person has his own reason. For one it might be a broken home, for another a moral crisis, vulnerability to hypocrisy, callousness. Psychological reasons are usually the cause. Dependent people are weaker individuals who don't know how to deal with reality. At a certain moment they run across a group of users and try drugs, which somewhat ease a stressful situation. Then they did it again a few times, and this is the beginning of it all.

[ZOLNIERZ POLSKI] What about your attitude toward the addicts? Is it sympathy, mercy, a desire to stamp out a socially harmful phenomenon?

[Kotanski] I love people, young people, a lot. I have tremendous respect for people who want a cure. It doesn't matter where the person comes from. I'm not interested in bureaucracy or paperwork. I don't read biographies, but some have such a past that if I were to start delving into that past, they'd probably be hard to like. I give patients my respect. I think that if they can make the decision for treatment, they're really wonderful folks, and I try to help them with all my might so they'll

last the course. If they honestly go through the MONAR program, they have a 99 percent change of not going back to drugs.

[ZOLNIERZ POLSKI] What's the rate of successful cures?

[Kotanski] About 40 percent of the people undergoing complete treatment remain free of addiction. This is a very high index and very optimistic. There's no concept of incurable drug addiction. The problem lies more in our inability to approach the phenomenon. Every user, as practical experience shows, has the chance of getting off drugs. Many of my friends who used to be addicts are really wonderful people! They have accomplished tremendous achievements in sports. They are great successes in areas like mountain climbing. One of these people, Jurek Gorski, became the European master in the triathlon, but it took 15 years. I know people who were really at the bottom. MONAR helped them. Today they work, have families, and lead normal lives.

[ZOLNIERZ POLSKI] Drug addiction ceased to be elitist a long time ago. What's it like now? Who are the Polish drug addicts?

[Kotanski] These are people from various strata and groups, from the families of the intelligentsia, workers, peasants. There are no differences here. The face of the phenomenon has changed. At the moment drug addiction in Poland is sadder, compared to the 1970's, for example. Then there were the hippies, the "flower children," young people who took joy in something and one could more get down to the basics of their really great personalities. Now we're dealing with a far more severe form of drug addiction. The people are a little older, 28-30 years old, seriously deviant, utterly destroyed, often with a criminal past. Working with them is a lot harder.

[ZOLNIERZ POLSKI] You have often been honored by the Wiktors. The mass media have profiled MONAR. There's been loud talk about what Kotanski did or plans to do. Now the interest in the "subject" seems to have waned. Has drug addiction ceased to be a problem for us?

[Kotanski] That's just it. Not much attention is given to the issue. This worries me. Radio, television, and the papers are silent. Unlike years ago, the television doesn't show my series. If I can say anything, I've got 2 to 3 minutes to say it in. The radio and television programs which once aired on the subject of drug abuse should be continued, not because I want to be a star. That's a funny way to put it, but it seems to me that my stardom made many people of the scale and gravity of the drug problem.

[ZOLNIERZ POLSKI] Some people hold it against you that you once fought the users. Maybe you still do, but it's precisely from you they now get the syringes.

[Kotanski] Yes. They receive get syringes and needles at the clinic. I was the first to introduce the principle of slowing the process of infecting oneself as much as possible. Drug users don't have single-use equipment, so they use the same equipment over and over again on themselves and others, and thus become infected with AIDS. If they can get them, this reduces the risk of infection. This is by no means an encouragement for using drugs. I give syringes and needles only to those who really don't want treatment. They just want to keep on using drugs. Then I use the worst way out, but it's a way out which might make it possible for the person not to infect others.

[ZOLNIERZ POLSKI] AIDS is associated with narcotics. In the public mind, every drug user is infected with the HIV virus. Is this an unjustified fear?

[Kotanski] I think that about half of people who shoot drugs intravenously are carriers of the virus. And this threat is going to increase, especially if we don't take appropriate prophylactic measures.

[ZOLNIERZ POLSKI] The facility in Zbicek takes in patients who are carriers of the virus.

[Kotanski] It's not a house solely for carriers. I also plan to bring the infected to other facilities—they're now in four. Although the rules are the same for everyone, we try to not to be so hard on them, try to be friendlier, more tolerant, because these patients are somehow more weighed down, knowing they may die prematurely. We're the first in the Eastern European association to extend help to HIV carriers and people who already have AIDS. We don't have any staffing problems. Our people aren't afraid to work with them, in contrast, unfortunately to many physicians and public health employees.

We plan to set up a home outside Warsaw for patients with nowhere to go, people who've been rejected by their families.

[ZOLNIERZ POLSKI] A cafe for the ill is to be set up in the center of the capital. Many people are already protesting. Do you believe the venture will be a success?

[Kotanski] I am prepared for various attacks, but I have no illusions about there being some. But I don't lose hope that something in our mentality will change and we'll show more humanity. I'd like people to understand that what I'm doing isn't a threat to "decent" citizens. Television could play a positive role, if I could do a few programs to show this problem in a different light.

[ZOLNIERZ POLSKI] Some people say that you'd be happy to work abroad.

[Kotanski] That's not so. I set up MONAR in the USSR, in Hungary, and in Czechoslovakia. I travel frequently, but not at the cost of my patients. I am always with them. I even think that I have intensified my actions, but there is work to do.

[ZOLNIERZ POLSKI] MONAR is also engaged in prevention. The Pure Hearts Movement was created at your instigation. Is its program your own pedagogic credo?

[Kotanski] Any initiative to work with young people is valuable and necessary. This is a moral movement to create the foundations for giving others of oneself. It doesn't talk about having but mainly about giving. To give others the best of what you have in yourself. If a person is taught this while young, he will understand himself better and become more open to the affairs of others. We need this a great deal today, when many young people are lost and constantly looking for their place in life. We have to help them find it.

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